Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs36
Bahrain	Din0.900	Iran	Rls210	Philippines	Pes40
Belgium	BFr90	Israel	Shk4.80	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Es175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux.	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft145	Nigeria	Naira16	Tunisia	Din0.800
Iceland	IKr180	Norway	NKr13.00	Turkey	L3000
India	Rs20	Oman	OR1.20	UAE	Dh8.00

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US POLITICS

A free-market mole in the White House

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BEHIND CLOSED DOORS

PART THREE

"How can we trust you if you don't even tell us what's going on?" The Bank of England was outraged when it discovered Agha Hasan Abedi, BCCI's founder, had failed to inform it of huge treasury losses.

'The $1.3bn Hole in The Heart' Page 2

UK ready to offer EC concessions to avoid isolation

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR, the British prime minister, pledged his determination last night to work for a deal on European integration as it emerged that the UK is ready to offer fresh concessions to avoid isolation at next month's Maastricht summit.

In a speech which directly confronted his critics on the right of the Conservative party, Mr Major described the summit as an important stage "on the road to ever-closer union among the peoples of Europe".

His comments, made at the annual Lord Mayor's Banquet in London, coincided with evidence that the UK government is now ready to accept a number of institutional changes which would strengthen the authority of the European Community.

Ministers said these included a direct say for the EC in environmental, health, education and, possibly, transport policies; the extension of majority voting to areas other than defence, foreign policy and the social charter; and strengthening of the European Parliament's power of veto on issues subject to majority voting.

Dismissing the arguments of senior Conservatives who have urged him to veto plans for a single currency, Mr Major said that, with "give and take on all sides", the basis of agreements on economic and political union could be found.

- **Special teams pass on the European treaty baton, Page 3**
- **Italy urged to take tough line on economy, Page 3**
- **Brussels goes ahead with Balkan loans, Page 3**

In a thinly-veiled reference to recent statements by Mr Norman Tebbit, the former Conservative chairman, Mr Major said that while it would be wrong to accept now the principle of a single currency it would be equally mistaken "to decide now that in no circumstances will we ever do so".

That stance threatens a public clash with Mrs Margaret Thatcher during next week's House of Commons debate on the summit. But Mr Major's political judgment is that the electoral advantages of a deal at Maastricht outweigh the risk of a rebellion by his predecessor.

His speech came as officials said Mr Major approved of the basic structure of the latest Dutch draft treaty on political union. The structure met his fundamental objective that closer co-ordination of foreign and defence and of interior and justice policies should remain outside the existing institutions of the EC.

Mr Major underlined that there were still "huge problems" on the shape of the political union treaty. He rejected "the general clamour for wide-ranging extensions of Community competence", and insisted that Britain "would not give up our right as a nation to take vital foreign policy decisions".

He emphasised instead the need to give the European Parliament authority over the Commission. He is equally determinated to resist any intrusion by the Community into the UK government's control of immigration policy.

There was also acknowledgement by ministers last night that the concessions Britain is ready to offer fall far short of the ambitions of many of its partners.

The tone of Mr Major's speech, however, confirmed a growing view that three developments over the past week – the conclusions of the Nato summit, Mr Major's meeting with Chancellor Helmut Kohl on Sunday and the structure of the Dutch draft treaty – have significantly enhanced the prospects of a deal.

Officials believe that the agreement within Nato that it should retain its primacy in Europe's defence policy has paved the way for a compromise on the shape of a new European "defence" identity.

There is similar optimism that the ambitions of other European governments for a common foreign policy can be framed in treaty language which would not compromise Britain's freedom of action.

Few changes in new draft

By David Buchan in Brussels

THE Dutch presidency's latest draft text on political union appears to offer no comfort for Britain on foreign and defence issues and to raise fresh disquiet on immigration policy.

The words "federal goal" remain in the draft treaty, as does the extension of majority voting to most areas of social policy. Foreign ministers of the 12 European Community member states will today start wrangling over the the latest proposals. The draft is a working document for foreign ministers meeting at Noordwijk on the Dutch coast.

One of the few new elements sets out a common policy on visas for non-EC visitors, which, it says, should be a Community responsibility and be decided by majority verdict among the EC members.

Setting a common policy on visas for non-EC visitors to the EC would be a Community responsibility, and could be decided by majority verdict among the 12 EC states, according to the Dutch text.

This is one of the few new elements to the latest Dutch text after an earlier draft was rejected.

Britain's EC partners have long regarded a common visa policy as flowing directly from the 1987 Single European Act's commitment to the free movement of people within "an area without internal frontiers".

Britain has never conceded that such free movement should be extended to non-EC citizens. It plans to keep its own checks on travellers entering UK ports and airports, thereby making possible a separate UK policy on visas.

The British will be further irritated by a clause relating to immigration, asylum and anti-drug and anti-fraud co-operation. Although these, like foreign and security policy, remain basically areas of inter-governmental co-opera-

Continued on Page 24

Jubilant Chechen rebels firing their weapons in the air yesterday after the Russian parliament asked President Boris Yeltsin to lift the state of emergency imposed on the autonomous republic of Chechen Ingushetia

Yeltsin defeated in vote over Chechen republic

By John Lloyd in Moscow

THE RUSSIAN parliament yesterday delivered a sharp rebuke to Mr Boris Yeltsin, the Russian president, by voting overwhelmingly to cancel the state of emergency he declared on Friday in the rebel autonomous republic of Chechen Ingushetia in the northern Caucasus.

The news was greeted in the republican capital of Grozny with shooting into the air and a display of Chechen and Islamic flags.

Men of all ages have flocked to join the call to arms made by the retired Soviet air force general Dzhokhar Dudayev, confirmed as the republic's president last Saturday after an election which Moscow has declared invalid.

The parliamentary vote, which follows the withdrawal on Sunday of 630 Interior Ministry troops sent to Grozny by Mr Yeltsin, shows that the Russian leader's professed aim of brooking no break-up of the Russian federation has failed at its first test.

It sends a message to other republics in Russia that their own pro-independence leanings may now be pursued with impunity. Tatarstan, like Chechen Ingushetia a predominantly Moslem republic, has already declared independence, while the Caucasian republic of Dagestan – again Moslem – has expressed support for the Chechen struggle.

- **G7 stays its hand over Soviet debt safety net, Page 4**
- **IMF's man in Moscow looks to individual initiative, Page 5**
- **Soviet and Finnish groups in peninsula accord, Page 5**

Mr Yeltsin, who two weeks ago told the parliament that he was taking extraordinary powers to control the deteriorating economic and social situation, was last night consulting advisers on his next move.

Mr Alexander Rutskoi, the Russian vice-president, and Mr Sergei Shakhrai, the state adviser to Mr Yeltsin, both defended their strong advocacy of a state of emergency during yesterday's stormy debate.

Significantly, support for their stance came from the old Communist and conservative groupings who had previously been Mr Yeltsin's foes The opposition to his decree came from the democrats who are his parliamentary power base.

The opposition to Russian rule within Chechen Ingushetia relies heavily on Moslem and anti-Russian imperialist rhetoric. General Dudaev took his oath as president on the Koran, while four of his supporters hijacked an aircraft at the nearby city of Mineraloye Vody and flew to Turkey to publicise their cause.

The Russian parliament's resolution said that Mr Yeltsin's decree was legitimate, but that it could not be endorsed because the "crisis in the Chechen Ingush republic must be solved by political means and not by the use of extraordinary measures".

It called for a parliamentary investigation of the people who took decisions which were "politically, technically and militarily unprepared". Mr Rutskoi, a former air force colonel, said on Russian TV on Saturday that he drew up the decree with Mr Shakhrai, and defended it as "long overdue".

Mr Vladimir Lukin, chairman of the Russian parliament's committee on international relations, said: "This is one of the sharpest crises, for which Russian executive power was completely unprepared."

General Dimitri Volkogonov, a Russian presidential adviser on military matters, said the fault lay with the "politicians who drafted the document". He said: "I think it will not throw a shadow on Boris Yeltsin but just emphasise that he is too credulous."

World News

EC monitors to pull out of embattled Dubrovnik

European Community monitors are to pull out of Dubrovnik because the besieged and bombarded Yugoslav city has become too dangerous.

The decision follows three days of heavy attacks during which the Serb-dominated federal army has pounded hotels and sunk several boats in the harbour. Page 2

69 die in SA mines

At least 69 miners were killed at South Africa's President Steyn mine south of Johannesburg in weekend fighting between black factions. A miners' union accused a "third force" of sparking the three nights of violence. Earlier report, Page 8

Nuclear fusion plan

Nuclear fusion researchers urged world politicians to back plans for a $5bn experimental fusion reactor. The call followed the world's first successful controlled fusion experiment in the UK on Saturday. Page 24

French reform criticised

France's main conservative opposition parties criticised President François Mitterrand's plans for constitutional reform. Many accused him of proposing them to get the governing Socialist party out of trouble. Page 24; Old fox Mitterrand, Page 4; Après moi la réforme, Page 22

Boat people tranquillised

The Hong Kong government admitted tranquillising two Vietnamese boat people before they were forcibly repatriated at the weekend. Page 7

Egyptian leads UN poll

Egypt's deputy prime minister Boutros Boutros Ghali gained most votes in an informal Security Council poll to find a new UN secretary-general.

Braced for new storm

The Philippines island of Luzon was put on renewed typhoon alert. President Corazon Aquino promised a purge on illegal logging after officials said deforestation was mainly to blame for floods which killed up to 7,000 Filipinos last week.

Army helps harvest

Romania ordered 25,000 troops into the fields to help rescue millions of tonnes of unharvested crops which could help avert winter food shortages.

EC tobacco warnings

European Community health ministers agreed that cigars and tobacco should carry stiff new health warnings similar to those on cigarettes – but they put off debating controversial proposals to ban tobacco advertising. Page 3

Neo-Nazis jailed

Five neo-Nazis were jailed in the former east German town of Zittau for attacking a convalescent home for Soviet children contaminated by the 1986 Chernobyl nuclear disaster.

Stamped out

Beijing's authorities have shut down the city's thriving free market for postage stamps. An official notice warns that speculation in stamps is a criminal offence.

Business Summary

Royal seeks to raise fresh capital from European link

Royal Insurance of the UK is in negotiations to raise several hundred million pounds in capital as part of a deal to form a pan-European alliance with Aachener und Münchener Beteiligungs (AMB), Germany's third biggest insurer, and with Fondiaria of Italy.

Aachener and Fondiaria are likely to inject new capital into Royal, but they may not do this by a simple purchase of new ordinary shares. Page 25

GERMANY is to reduce its hard coal production by more than 20 per cent by the end of the decade, cut subsidised supplies to power stations and steelworks and slash the workforce by 30,000, leaving fewer than 100,000 people employed in the industry. Page 24

BRITISH Steel shares plunged nearly 20 per cent after the privatised steelmaker announced a collapse in first-half pre-tax profits and gave a warning to investors about the level of its final dividend. Page 25; Warning on Bethlehem venture, Page 9; Lex, Page 24

SLOVNAFT, Slovak oil refinery company, is to sign an accord for the extraction of crude oil in the Russian federation. Under the pact, a new company will be owned 50 per cent by Russian Megion Neftegass, 25 per cent by C.Itoh of Japan and 20 per cent by the Slovak side. Page 6

FIRST City: The Belzberg family, once among north America's foremost corporate raiders, are about to lose control of their debt-burdened flagship company, First City Financial, after shareholders approved a restructuring plan. Page 25

TRADE: James Baker, US secretary of state, urged Japanese government ministers to curb their country's rising trade surplus and to ease a ban on rice imports. Page 7

GATT: President George Bush's decision to scale down US targets in the dispute over farm subsidies with the EC won a positive but cautious reaction in the General Agreement on Tariffs and Trade. Page 6

UK MOTOR industry: A delegation from the UK industry met the trade and industry secretary to express concern over possible moves by France and Italy to curb distribution of UK-built Japanese cars. Page 6

DIGITAL Equipment, world's second largest computer manufacturer, aims to strengthen its role in the $17bn market for computers used by small and medium-sized businesses in Europe by forming a new group of marketing, sales and service companies. Page 28

HONGKONG Bank and its subsidiary Hang Seng Bank are tightening their mortgage lending policy as concern mounts about Hong Kong's overheated residential property market. Page 7

CASIO Computer, Japanese electronics company, reported a 32.6 per cent increase in pre-tax profits to Y11.29bn ($87m) for six months to end-September, largely because demand was strong for its mainline calculator and watch products. Page 28

Olivetti's problems force return of De Benedetti

By Haig Simonian in Milan

MR CARLO De Benedetti, the Italian industrialist, last night returned to full-time management of Olivetti, the computers and office equipment group, in response to the growing difficulties facing the company.

Olivetti said the decision reflected "the further worsening of the worldwide crisis in the information technology industry". Mr De Benedetti's return to active management was being taken "with the same sense of purpose with which in 1978 he led the turnaround of the company, returning it to profitability".

The move will be seen as a setback for Mr Vittorio Cassoni, who moved back from AT&T to Olivetti as managing director in 1988. Although retaining his title, Mr Cassoni will become responsible for Olivetti's international affairs. He was previously in charge of Olivetti's US operations.

The company, which has seen the departure of a number of top executives in the past 18 months as a result of internal struggles over strategy, said Mr Cassoni "fully shares the reasons" behind Mr De Benedetti's decision. According to one executive, the fact that Mr Cassoni had not resigned reflected his agreement.

Like many other computer groups, Olivetti has dived into loss this year as a result of falling orders caused by economic recession in many markets and severe price wars as leading manufacturers struggle to retain market share. The groups announced a loss of L73.7bn ($60m) in the first half of the year, against net profits of L60.9bn in the same period last year.

Olivetti has not given any indication of earnings for the full year, partly because November and December are traditionally important months for the industry in terms of new orders. However, "the trend has continued and been confirmed" since the interim stage, said the executive.

Mr De Benedetti had already been devoting increasing amounts of time to Olivetti, which is 42 per cent owned by CIR, the quoted holding company he controls, even before yesterday's move.

CIR moved swiftly last night to scotch nagging rumours that Mr De Benedetti would be happy to sell Olivetti, if only a politically-acceptable buyer could be found.

According to one executive, the fact that Mr De Benedetti had not accepted offers in the past, and had indeed increased both his financial and physical commitment to the group, demonstrated his continuing concern about its future.

Olivetti has been seen as one of the most vulnerable remaining computer groups in Europe because it is neither state-owned nor controlled by a big private-sector partner, like Groupe Bull of France and Siemens Nixdorf of Germany.

The executive argued that the fact its major shareholder is "an entrepreneur with his own money at stake", is an asset rather than a liability.

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Old fox Mitterrand plans to give opposition the slip

Since he appointed Mrs Edith Cresson prime minister, President Mitterrand's popularity has declined. But his plans to reform the French constitution may just have changed things

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MARKETS

STERLING
New York :
$1.769 (1.76465)
London:
$1.7695 (1.7675)
DM2.905 (2.9025)
FFr9.9225 (9.925)
SFr2.565 (same)
Y230.0 (230.25)
£ Index 91.2 (same)

GOLD
New York Comex Dec
$356.2 ($355.2)
London:
$353.95 (same)

N SEA OIL (Argus)
Brent 15-day Dec
$21.525 (-0.35)

Chief price changes yesterday: Page 25

DOLLAR
New York
DM1.6385 (1.6465)
FFr5.604 (5.6295)
SFr1.447 (1.4536)
Y130.085 (130.38)
London:
DM1.6415 (1.642)
FFr5.6075 (5.614)
SFr1.449 (1.4505)
Y130.0 (130.3)
$ index 63.6 (63.5)
Tokyo close: 130.05

US Bond markets closed for Veterans' Day

STOCK INDICES
FT-SE 100:
2,554.9 (-4.1)
FT-SE Eurotrack 100:
1,100.31 (-2.4)
FT-A All-Share:
1,234.87 (−0.1%)
FT-A World Index:
148.14 (-0.1)
New York close
DJ Ind. Av.
3,042.26 (-3.36)
S&P Comp
393.12 (+0.23)
Tokyo: Nikkei
24,232.99 (−253.5)

LONDON MONEY
3-month interbank:
$10\frac{3}{32}$% ($10\frac{1}{4}$%)
Liffe long gilt future:
$95\frac{7}{16}$ ($95\frac{5}{8}$)

"It's all a cover up. I was silent, so everyone wanted to blame it on me," says Syed Raziuddin Ali Akbar, who according to Price Waterhouse, later managed to blackmail BCCI for $32m to keep quiet about the treasury fiasco

BEHIND CLOSED DOORS

■ Written by David Lascelles, with contributions from: Richard Donkin, Alan Friedman, Christina Lamb, Richard Waters, Richard Tomkins, Bernard Simon, Chris Tighe, Jimmy Burns, James Buxton and Stephen Fidler

'The $1bn hole in the heart'

PART THREE

BCCI's treasury was at the centre of a web of fraud and deceit. It made huge losses and covered them up with bogus deals – under the nose of its auditors and of the Bank of England. And, for years, it got away with it

The telex chatters into life in BCCI's Cayman Islands offices.

Inside the white, colonial-style building in Georgetown, the Pakistani managers watch as the machine taps out a string of "recommendations" from the bank's dealing room in the City of London.

"Conditions look favourable for going long on the dollar", the telex might say. In other words: tell us to buy dollars because they're going up. Faithfully, the Cayman Islands staff re-keys the recommendation into the telex back to Leadenhall Street. "Go long on the dollar". Another day's trading is under way.

This little ritual served a useful purpose in BCCI's strategy of deceit: to create the fiction that the treasury's vast ebb and flow of funds was really being managed from the Caymans offshore tax-haven.

When Agha Hasan Abedi, BCCI's founder and moving spirit, incorporated the Caymans into his global operation, he chose well. The buccaneers and privateers who first settled there in 1670 would have recognised a kindred spirit.

The Caymans are a banker's dream. There are more companies registered on the island than there are people, with one bank for every 31 man, woman and child. Discretion is guaranteed.

The Caymans suited BCCI for two reasons. As a banking haven it attracted large amounts of private deposits from clients who preferred to keep their money away from the prying eyes of their governments.

This also enabled BCCI to engage in one of its favourite manipulations: mingling other people's money with its own.

The second advantage of the Caymans was its low tax rates. Abedi was keen to book as much of the bank's business as possible in the Caymans rather than under the hostile tax regimes of many of the Third World countries in which BCCI operated. BCCI's auditors advised it to set some money aside in case it got a tax demand for the treasury's profits.

Unfortunately, the treasury's profits were a fiction – though few inside the bank realised it at the time. The treasury made enormous losses. This required fraudulent manipulation on a colossal scale to prevent them coming to light and bringing the bank down.

The story of those losses, how they were concealed and how they came to light, is a crucial chapter in the bank's history. It led, slowly but inevitably, to the crisis that engulfed BCCI in 1990 and 1991.

A bank's treasury plays a key role in managing its financial affairs by trading large amounts of money and currencies. Some of this dealing is done on behalf of clients. But bank treasuries also speculate on whether currencies will rise or fall, using their own money. BCCI was no exception. According to Price Waterhouse, the bank combined these two activities by trading huge amounts of clients' money – but in its own name, and without their knowledge.

Punting on currencies can be a major source of profit but it can also prove disastrous, as turned out to be the case with BCCI.

The bank set up a central treasury in 1982 to bring together and putting to work the pools of cash that lay around its 69-country network, now holding $10bn of assets. It had to keep a large stock of liquid money because of its homeless status.

Much of this money was held by ICIC, its shadowy affiliate, based in the Caymans. ICIC acted as an international private bank for BCCI's super-rich customers, including the ruling family of Abu Dhabi

The exact relationship between BCCI and ICIC is still unclear. Although BCCI seemed to control it, ICIC's ultimate owner is a Cayman company whose memorandum of association states – in classic Abedi style – that on dissolution its assets must be distributed to charity. The likelihood is that ICIC in fact owned BCCI. It appears to have played a central role in the secretive arrangements by which BCCI used nominees or frontmen to finance acquisitions of its own shares.

There was, in fact, not much to show for BCCI's presence in the Caymans, partly because it was only a booking centre: two office buildings, a few dozen staff and a warehouse near the airport, bearing the number 007.

The Pakistani managers and their families lived in modest but comfortable townhouses, but kept very much to themselves. They were prompt and polite in their dealings with regulators and other banks on the islands. Every January, they would host a lavish buffet, washed down with fine wines, for local political, business and banking leaders. "The tables really groaned," recalls one prominent banker.

The London treasury was a more substantial operation. It was run by Syed Raziuddin Ali Akbar, an Indian-born banker in his early 40s who had joined BCCI in Oman in 1975 and moved to London a year later. His glowering look, neatly cropped beard and curt conversation made him a remote, intense figure.

Akbar was told by BCCI's board to limit his speculative activity to a maximum loss exposure of $100m. But this limit soon became meaningless. According to Price Waterhouse, Akbar's team were spectacularly unsuccessful traders: they lost large sums from the outset. It was a time of sudden and large swings in interest rates which made trading difficult. Within a year the traders were forced to resort to manipulation to cover up mounting losses.

They used two techniques. One was to sell enormous quantities of options contracts. These give the buyer the "option" to purchase currency or securities at a set price at a later date.

Akbar would book the proceeds of these sales as profit, even though he retained a liability to the buyer at a future date. As these liabilities materialised, he was forced to sell even more contracts to keep cash flowing in. The losses snowballed and Akbar found himself in the path of an avalanche.

As a trader of interest rate options, in 1985 BCCI was in a league of its own with outstanding positions of $11bn. By comparison, one of the biggest local operators in this market at the time, a leading London merchant bank, had positions of only £3bn.

The second cover-up technique was to split the treasury into two sets of accounts. One consisted of normal treasury operations. The other, the so-called "Number Two" accounts, were run by dealers at a different set of desks, ostensibly trading on behalf of BCCI's private clients. In reality, they were plundering clients' accounts and using the money to trade on BCCI's behalf. As one part of the edifice collapsed, they rushed other parts of it across to shore it up, thus weakening the entire structure.

When they lost that money too, they tried to make good the clients' accounts by manufacturing artificial loans to them, or by taking in other deposits without recording them on the books.

One victim of these manipulations was the Faisal Islamic Bank of Egypt, which placed large sums of money with BCCI in the belief that they were being handled on an Islamic basis (that is, earning an investment return rather than interest). But Faisal's money went into the treasury's black hole like everyone else's. Price Waterhouse puts the Cairo bank's exposure at nearly $400m.

According to Price Waterhouse, Akbar managed to conceal his losses from the auditors and even from Abedi and Swaleh Naqvi, BCCI's chief executive, for three years. By his own admission, the treasury had accumulated a loss of $633m by 1985. But Price Waterhouse estimate that his treasury was obliged to divert as much as $1.3bn in order to plug this enormous hole and pay the interest accruing on the loss.

Akbar has a house in Golders Green, north London, and claims to be a simple and devout Moslem. He recently said in an interview with the FT that he was merely a junior at BCCI, not a top executive. BCCI's treasury division had no control over client accounts, he claims, and so could not move cash or operate the secret pool as Price Waterhouse alleges.

All his decisions, he says, were monitored by other divisions and committees within the bank: he was following orders. There is nothing he could have done that was not known and sanctioned – indeed, that was not directed – by senior executives and ultimately by Abedi and Naqvi themselves.

"I was simply a co-ordinator among several divisions. I never originated any deals," he says. "It's all a cover up. I was silent, so everyone wanted to blame it on me."

The treasury's trading binge did not go completely unnoticed at the time, however. The financial markets have sensitive antennae, and the huge volume of trading generated from BCCI's dealing room and its obvious exposure sent out signals which other banks quickly picked up. Rather than pass their concerns on to the authorities, many of them took advantage to make profits at BCCI's expense.

Word reached the Institut Monétaire Luxembourgeois, the regulator of banks in Luxembourg where BCCI was based. In 1985, the Institut asked BCCI to conduct a review of its treasury. The investigation got under way in late January 1986 under Price Waterhouse, the auditors of the Cayman operation. Price Waterhouse's investigators uncovered the treasury's first cover-up technique: the use of options contracts to roll losses over from one year to the next. They did not uncover the enormous iceberg of "Number Two" accounts.

On what they had discovered, the Price Waterhouse team made a relatively mild judgment: they decided BCCI had accounted for its options contracts in a sloppy way and wiped $225m off BCCI's profits for 1984 and 1985. But Price Waterhouse put the error down to management incompetence.

Price Waterhouse had failed to spot the accounting error the previous year, when it was present but on a smaller scale. Leaving aside the question of whether the error could realistically have been spotted sooner, there is a more serious issue at stake.

With hindsight, this appears to have been a moment at which BCCI's wrongdoing might have been brought to light. Price Waterhouse audited both the treasury and some Cayman-based accounts which were being robbed to fund the losses; it was therefore theoretically in a position to detect both sides of the manipulation. Was this a missed opportunity to unmask BCCI's activities half a decade before they came to light?

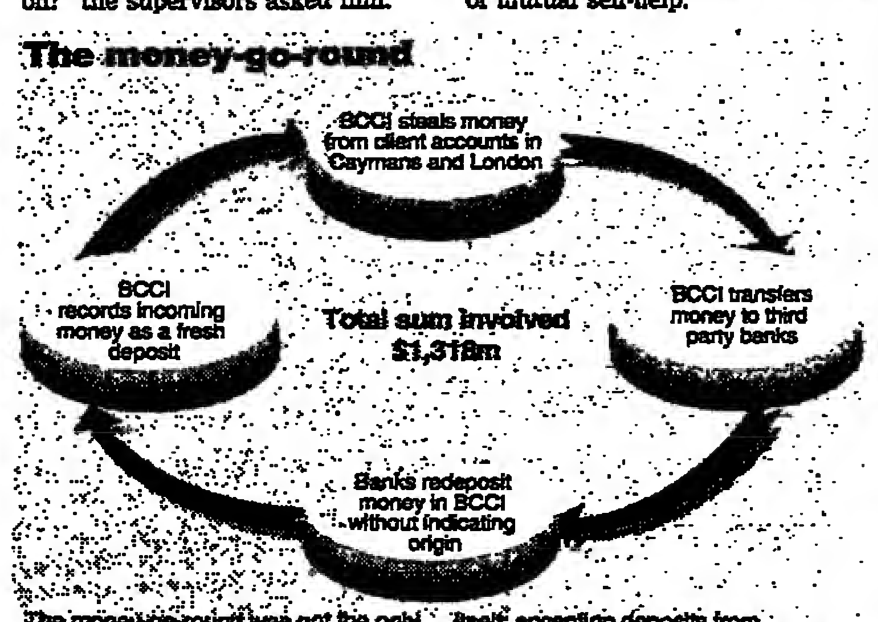
Price Waterhouse has said there was no evidence at the time to suggest that the treasury losses had a more sinister cause. Other banks, it says, have suffered from dealers running up loss-making positions outside authorised limits; there was no evidence that this was anything more than a bad case of the same.

Even now, the full truth of the treasury fraud is unclear, with an investigation by another firm of accountants still unfinished. Most of the available evidence is based on Akbar's own account.

Although the true scale of the treasury disaster remained hidden, it was still a spectacular piece of bad banking which caused uproar within BCCI. Akbar left abruptly, and a clean-up got under way, with Price Waterhouse advising.

In the confusion, Abedi failed to tell the Bank of England what had happened – a sin not lightly forgiven. The Bank, however, got to hear about it from the Institut Monétaire Luxembourgeois and Brian Quinn, director in charge of banking supervision, summoned Abedi. "How can we trust you if you don't even tell us what's going on?" the supervisors asked him.

The money-go-round



The money-go-round was not the only means used by BCCI to cover up its massive treasury losses. Others included: booking fictitious loans to clients and using the cash itself, accepting deposits from customers without recording them on the books. Price Waterhouse says the total sums involved amounted to $1.3bn.

This was typical of BCCI's poor relations with the authorities. Yet what followed was also typical of Abedi's ability to escape from tricky situations. He came clean, apologised profusely and made lavish promises of better practices.

This was another fork in the road at which the BCCI story might have taken a different route. Faced with this clear evidence of (at best) incompetence and dissimulation, the Bank of England might have tried to impose stronger management on BCCI. Instead, Abedi suggested that he move the treasury to Abu Dhabi, because that was where his main shareholders lived; the Bank agreed. (Luxembourg, BCCI's official European home, did not want it either).

But the treasury fiasco left Abedi with a large hole in his balance sheet, the precise size of which he learnt from a memo which Akbar left behind, detailing the scale of his manipulations. Abedi tried to put a brave face on it. "Some people will think it's a great deal of money, but we'll get over it", he told a colleague.

How, though? Abedi turned to his friends in the Gulf for help, but they were so shaken by the losses that they refused to put up fresh cash. In desperation, Abedi extracted $150m from the bank's own staff fund as a "gift", though staff were not immediately told.

One fund's trustees Akhtar Annis, who has since died, reputedly used to remove his glasses before signing documents so that he could not read their contents.

Abedi told banking regulators that the money was contributed by the staff fund. They chose to accept this as further evidence that BCCI was indeed, as Abedi claimed, a bank run on Third World principles of mutual self-help.

This "gift" reinforced Abedi's image as a banker whose business methods could not be judged by western standards. It gave him another lease of life – but also strengthened the regulators' determination to keep a closer watch on him.

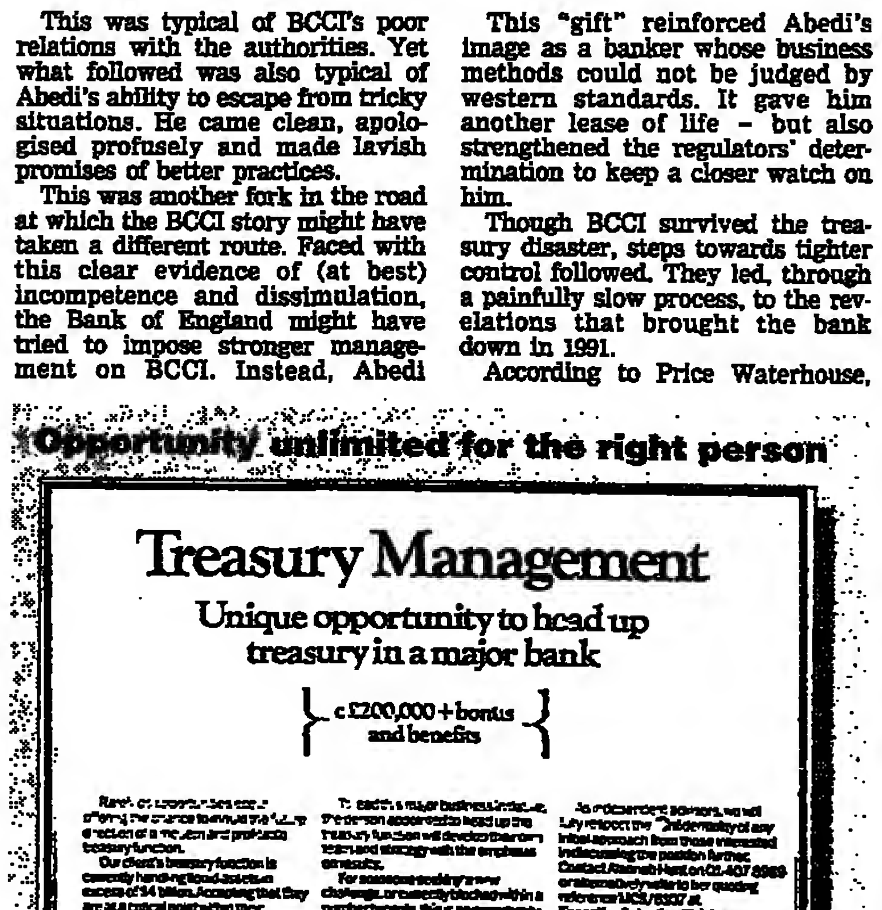
Though BCCI survived the treasury disaster, steps towards tighter control followed. They led, through a painfully slow process, to the revelations that brought the bank down in 1991.

According to Price Waterhouse, Akbar later managed to blackmail BCCI for $32m to keep quiet about the treasury fiasco. In 1988 he was convicted of drug money laundering, and was recently re-arrested on fresh BCCI-related charges. He denies every aspect of Price Waterhouse's allegations – including receipt of the $32m.

Whether Akbar was really controlling the treasury, or merely acting as a lieutenant for his superiors, his team made a lasting mark on BCCI. When it left London, the treasury left behind a $1.3bn hole which Abedi had either to expose – with the certain risk that it would destroy his bank – or cover up.

Since his life's work was at stake, he did not have much choice.

Opportunity unlimited for the right person



This anonymous advertisement offering the then record salary of £200,000 plus bonus and benefits appeared in the UK press in August 1987. It was BCCI seeking a new person to head the treasury after the disastrous losses. The advertisement promised the successful candidate 'unlimited potential'.

■ Tomorrow: 'Bank of Crooks and Cocaine International'

Ghaith Pharaon: Money in a hurry

Day or night, Ghaith Pharaon was always in a hurry for money.

Sometimes the Saudi entrepreneur would ring up after business hours demanding a loan for an urgent deal the next morning. It always arrived – part of the BCCI service.

All it needed was a nod from Swaleh Naqvi, BCCI's chief executive, with whom Pharaon preferred to deal directly. The account officer would then disburse the money into whichever bank the globe-trotting Pharaon wanted.

Pharaon was one of the bank's largest customers, for a time a shareholder and one of the small band of well-connected Saudi Arabian power-brokers whose affairs became intertwined with those of BCCI during the 1970s.

Former BCCI officers say Pharaon first met Abedi in 1975, although Pharaon has said the relationship started in 1977-78.

According to a list seen by the FT, Pharaon's worldwide holdings in 1986 encompassed 156 separate companies, ranging from film production companies, cement and aggregates, oil, hotels, shipping and property, to commodities, agriculture, banking, finance and insurance. He has recently taken an interest in cable TV in the US and took a $9m stake in Eurotunnel, which he offered as security for part of his BCCI debt.

Pharaon: $537m in BCCI loans

Pharaon's father was personal physician and confidant to the late King Faisal. Educated in Paris, Beirut and at the Colorado School of Mines, he graduated from Harvard Business School in 1965.

A bearded man with a slightly podgy face, he pursues an unashamedly flashy lifestyle with a fleet of Mercedes, a yacht and a private Boeing 727 with his initial painted on the tail.

His connections have become the stuff of US corporate legend. One story says he hired a Nile barge with David Paul, the US real estate developer and partner in CenTrust, a Miami savings bank. The barge became stuck on a sand bank. Pharaon rang up Egyptian President Hosni Mubarak to ask a favour. Minutes later, the gates of the Aswan Dam were opened to raise the water level.

According to Federal Reserve allegations, Pharaon acted as a front for BCCI's illegal acquisitions of US banks. If so, many of the loans made to him would be fraudulent or fictitious.

For BCCI's staff, Pharaon was a "big name" customer whose relationship with Abedi meant that normal procedures could be bypassed.

According to a file seen by the FT, BCCI's loans to Pharaon last March amounted to $537m – more than double the $264m ceiling set by BCCI's own internal controls. It is not clear what proportion of these loans might be fictitious.

Such controls had little force because loans were debited to the account on verbal instructions from Naqvi. According to BCCI staff familiar with the Pharaon account, the paperwork only came later. The account officer went round collecting signatures from members of the credit committee individually; the committee itself seldom met. The board often approved the largest loans afterwards. If anyone queried them, they were told: "It was urgent".

The management of the Pharaon accounts also shows how the fraudulent arrangements were kept separately by Naqvi.

Basic details of the loans went into the Pharaon file, held by the account officer. But sensitive documents went into a separate, "balance confirmation" file, kept by Naqvi himself. This would include documentation covering Pharaon's role as a nominee as alleged by the Federal Reserve.

Naqvi's separate files on its key clients were to play a central role in the fraud because they contained, according to PW, documents like "hold harmless" letters and promises of indemnification which exposed the true nature of BCCI's dealings.

In September, the US district court in New York froze Pharaon's US assets after the Fed announced that it was fining him $37m for illegal dealings with BCCI. The Fed is now seeking to ban him from the US banking industry.

Meanwhile his white-painted column-fronted mansion on a large Savannah plantation deep in the US cotton belt, once the home of Henry Ford, awaits his return.

EUROPEAN NEWS

Rome plans gradual reduction of inflation and budget deficit

EC urges Italy to take tough line on economy

By Andrew Hill in Brussels

COMMUNITY finance ministers yesterday urged the Italian government to take tough measures to bring its economy into line with the rest of the EC.

Italy is the first of the 12 member states to submit an economic convergence plan to its EC partners, part of moves towards economic and monetary union (Emu).

The Italian plan proposes a gradual reduction of inflation from just over 6 per cent now to 3.5 per cent in 1994. It also envisages reducing the budget deficit from about 10 per cent of gross domestic product to 5.5 per cent in the same period.

Finance ministers welcomed the report but said they thought some of the macroeconomic assumptions behind Italy's programme for economic convergence "may prove to be rather optimistic", and other measures needed to be laid out in more detail.

The criticism of the convergence programme will give Mr Guido Carli, the Italian finance minister, a powerful weapon in his attempt to curb the spending excesses of other ministries and the Italian parliament. Mr Carli said he expected his ministry to win more power over budget expenditure, which is often amended and increased by parliament.

EC ministers said Rome should "stand ready to take additional pre-specified measures should macroeconomic developments prove less favourable than expected". They said the Italian plan presupposed "a strong expansion of private investment and of exports".

Guido Carli: given a powerful weapon

The programme also commits Italy to take the "necessary corrective measures" to avoid missing deficit targets, which the ministers welcomed.

Mr Carli said it would be difficult to meet the deficit targets set by the Dutch presidency of the EC for countries which want to be among the first to enjoy full currency union in 1997.

But he added: "Five years is a long period. Great changes can take place. I don't see any reason why we should not be able [in that period] to adjust the inflation rate if a proper incomes policy is adopted."

Special teams pass on the European treaty baton

Negotiators have refined options for ministers as talks enter a decisive phase, writes David Buchan

THE battle for European Community political and monetary union enters its decisive phase this week as ministers at last start doing what their special negotiators have been doing all year: wrangling line by line, article by article, over the proposed treaty.

The fact they have a palimpsest to pore over is largely due to the 24 special negotiators who have spent most of the year in the treaty trenches.

The combatants vary. Seven states field their regular EC ambassadors, while the other five send in outsiders to thrash out European political union (Epu). All 12 states dispatch senior Treasury officials from their national capitals to handle economic and monetary union (Emu).

Both sets of negotiators have had to grind endlessly through a marathon, in which even the rare flashes of humour were a serious business.

Mr Jürgen Trumpf, German ambassador and Epu negotiator, earlier this year proposed a system whereby 11 countries could outvote the 12th on social policy, softly portraying the move as a concession that would allow Britain to block a social measure by picking up only a single ally. Since, however, Britain almost always stands alone on social policy, Sir John Kerr, UK ambassador/negotiator, quipped that seeking British support for such a scheme was like "asking a turkey to vote for an early Christmas". As the laughter died away, so did the German idea.

COUNTDOWN TO MAASTRICHT

But aside from acting as a chopping block for the odd outlandish idea, the main function of the special negotiators' meetings, which now occur every week, has been to refine options for ministers.

"Our job has been to show ministers that if they want to do something, this is the way they would go about writing it into the treaty," says one participant. "But it is up to ministers to decide." The problem, say others, is ministers have given precious little guidance.

Even after "Black Monday" on September 30, when 10 countries combined to blast the Dutch presidency's Epu plan out of the water, the Dutch are still coming in for criticism for their handling of the negotiations.

Ironically, Mr Pieter Nieman, the Dutch ambassador who chairs the Epu negotiation, had warned his government of the consequences of trying to rip-up the earlier Luxembourg presidency's draft. In the opinion of one of his co-negotiators, Mr Nieman risked being sacked had his advice not proved to be correct.

The Dutch have since stressed their role as a neutral arbiter, but this has not satisfied some participants in both Epu and Emu negotiations. France, for instance, feels that Dutch chairmen are slanting texts and serving them up time and again, without change, compromise or alternatives. The French prefer to leave all options open for a grand trade-off by politicians.

Oddly lacking in the tense wrangles has been the sense of history that Europeans are attempting something akin to what the Philadelphia Constitutional Convention produced for the US in 1787. "Only in foreign and defence policy, where the Community is treading new territory and minds are fresher, are the arguments genuinely interesting," carps one jaded participant. In standard areas of EC activity, he notes, "people are too busy taking old revenges for what's happened in the past".

KEY MEETINGS BETWEEN NOW AND THE SUMMIT

- ☐ Today: Finance ministers in Brussels.
- ☐ Today until Thursday: Foreign ministers in Noordwijk, Netherlands.
- ☐ November 14 and November 15: Franco-German summit in Bonn.
- ☐ November 18: Foreign/defence ministers in Bonn (WEU).
- ☐ November 25: Finance ministers in Brussels.
- ☐ December 1-3: Finance ministers in Schevingen/Brussels.
- ☐ December 2-3: Interior ministers in the Hague.
- ☐ December 3: Social affairs ministers in Brussels.
- ☐ December 9-10: Maastricht summit.

Such revenge is, however, taken more with the stiletto than the bludgeon; the special negotiators are all part of a Euro-freemasonry. This is clearest in the Emu negotiation, where all the participants know each other from the EC's monetary committee.

But even in Epu the five so-called outsiders are not really such.

For instance, Mr Pierre de Boissieu, the Quai D'Orsay's economics director and France's negotiator, spent several years in the European Commission.

Another commuter from Paris is Mr Gunnar Riberholdt, who combines being Denmark's ambassador to the OECD with representing his country on Epu; but he is no stranger to Brussels where he was Copenhagen's envoy for seven years.

Similarly, Sir John Kerr knows all these officials – to a degree that might arouse suspicion among Conservative MPs at home – from his dealing with EC affairs in London and as private secretary to the former British foreign secretary, Sir Geoffrey Howe.

The main Emu protagonists are Mr Horst Köhler, Bonn's state secretary for finance; Mr Jean-Claude Trichet, France's Treasury director; and Mr Nigel Wicks, who is second permanent secretary at the UK Treasury.

The degree to which Mr Wicks and Sir John co-ordinate with London have impressed their partners.

One of the latter says, almost despairingly, that the UK pair "seem to have someone in London assigned to study the drawbacks of each and every article of the treaty".

As chief nay-sayer in Epu, Sir John is the political – though not the personal – target of his more outspoken counterparts. One of these, Mr Philippe de Schoutheete, Belgium's experienced ambassador, sits next to Sir John.

Opposite, in more ways than one, sits Mr de Boissieu, the most distinctive character in either conference. He is a representative of left-wing government but, despite, or perhaps because of, the fact that he is a proclaimed monarchist, as well as being a member of the late General de Gaulle's family, Mr de Boissieu carries the baton for Mitterrandiste France extraordinarily well.

Brussels goes ahead with Balkan loans

By David Buchan in Brussels

EC FINANCE ministers decided yesterday to lend Romania and Bulgaria about \$900m (£523m) in balance of payments assistance, without waiting for a matching loan from other members of the Group of 24 aid consortium.

The EC had hoped its G24 partners would provide half the planned loans of \$1bn and \$800m to Romania and Bulgaria respectively.

But the US and Japan do not accept that the burden of help for eastern Europe should be split evenly with the EC. As a result, non-EC members of the G24 have so far only matched the EC's \$500m loan to Romania with \$273m, and the Community's \$400m loan to Bulgaria with \$186m.

However, EC finance ministers said they would continue to press the G24 for a matching contribution.

Foreign ministers of the G24 donors and recipients were separately in Brussels yesterday to review the aid programme for east Europe.

Mr Stoyan Ganev, Bulgaria's foreign minister, told G24 donor countries his country was facing severe energy shortages. He appealed for more money to improve safety at the Kozloduy nuclear power station, which is now partially shut down but once supplied 40 per cent of Bulgaria's electricity.

Mr Adrian Nastase, Romania's foreign minister, said his country needed \$3bn for food and energy over the next six months.

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Tighter rules on tobacco labelling

EC HEALTH ministers yesterday toughened restrictions on the marketing and labelling of tobacco, but postponed until next year discussion of the controversial proposal to ban all tobacco advertising, writes Andrew Hill.

Ministers agreed that oral moist tobacco – sold in small sachets and sucked rather than chewed – should be banned in the EC from July. The product is already banned in Belgium and Italy.

They also agreed that tough new requirements on health warnings, which will apply to cigarette packaging from the start of next year, are to be extended to all other types of tobacco from 1994.

G7 stays hand over Soviet debt safety net

By **Peter Norman**, Economics Correspondent, in London and **John Lloyd** in Moscow

SENIOR finance ministry officials from the Group of Seven industrial states want to hear how the Soviet republics and centre will service existing foreign debt before agreeing to tide them over possible liquidity problems.

The so-called G7 deputies are waiting for Moscow to reply to a letter sent last Friday. In the meantime they have asked treasury and central bank officials in the US, Japan, Germany, France, Britain, Italy and Canada to start working out details of a support package that can be discussed with the authorities in the former Soviet Union.

Following a deputies' meeting in Paris last Wednesday, the G7 countries are ready to help the Soviet Union through an external payments crisis. An official silence has surrounded the G7 deliberations but it is known that they have been considering deferring payments of principal by the Soviet Union, a standby credit through the Bank for International Settlements (BIS) and placing a financial safety net under the Vnesheconombank, the Soviet Bank for Foreign Economic Affairs.

However, they are also anxious that the Soviet centre and republics should play their part in meeting their obligations, notably by ensuring that foreign exchange earnings received in the republics are channeled to the centre to service the union's hard currency debt, reported by the independent news agency Interfax yesterday to have reached $81bn.

The G7 deputies are standing ready to go to the Soviet Union for talks with the representatives of the republics and the centre as part of the continuing dialogue agreed in Bangkok last month. However, western creditor countries seem to be accepting that they will have to work more closely with the republics.

The Soviet Union was up to date with its debt service obligations as of yesterday, according to G7 officials. But they expect it will experience problems by the end of the year.

As Moscow's authority over the 12 republics dwindles, President Mikhail Gorbachev will warn the republics' leaders on Thursday that they must either take seriously the economic treaty they agreed with Moscow, or give up any pretence of co-operating with the central authorities.

Soviet officials are increasingly concerned about the effect of the republics' independence moves on the country's social stability and its ability to gain western support.

The meeting of the State Council, which also comprises members of the Inter-republican Economic Committee, will be given a list of proposals to which the republics' leaders will be asked to agree. These include a central banking system, common policies on trade, labour and social security, and willingness to pay for central programmes and institutions.

Mr Boris Feodorov (34), head of Soviet affairs in the merchant banking division of the European Bank for Reconstruction and Development and a former Russian finance minister, is expected soon to be named as chairman of the Russian central bank, writes John Lloyd in Moscow.

An economic radical who has worked on earlier reform programmes, he is close to the team of ministers and advisers – led by Mr Egor Gaidar and Mr Alexander Shokhin, deputy prime ministers of the new Russian government – now in charge of Russian reform. Mr Gaidar, interviewed by Izvestia yesterday, said he had been given authority by Mr Boris Yeltsin, the Russian president, to appoint ministers and officials "who think alike". He said Mr Feodorov was likely to take over the central bank in the near future.

A Chechen tribesman celebrates after the Russian parliament asked President Boris Yeltsin to lift the state of emergency in the Chechen-Ingush republic yesterday.

Call for tighter Irish budget

By **Tim Coone** in Dublin

AS Ireland awaits details of the big cabinet reshuffle expected today, the Confederation of Irish Industry (CII) yesterday published its recommendations for the 1992 budget.

The report calls for tighter targets than those set by Mr Albert Reynolds, the finance minister sacked last week in a leadership challenge to Mr Charles Haughey.

The CII calls for the Exchequer Borrowing Requirement (EBR) to be reduced to 1.5 per cent of GNP next year, a year earlier than the target set by Mr Reynolds. The lobby group also wants to see the national debt/GNP ratio reduced to 100 per cent in 1993, and to be reduced "to the current EC average of about 60 per cent by the year 2000 at the latest".

The report recommends that the government "should adhere to the existing policy of eliminating the EBR within the shortest practicable timescale".

The CII is also worried about corporate taxation levels, which it says are higher than in much of Europe as a percentage of GNP. "Ireland faces intense and growing competition in the fight to attract and retain mobile and international investment... and must necessarily depend to a great extent on corporate tax incentives in order to provide a favourable environment for enterprise," the report notes.

Manufacturing industries now pay a maximum corporate tax rate of only 10 per cent in Ireland. This incentive, together with a range of other tax breaks and incentives, are worth some I£2bn ($3.3bn) to industry, according to figures given by Mr Reynolds.

Last month Mr Reynolds agreed with leaders of the Progressive Democrats (PDs), the junior partners in the coalition government, to reduce substantially personal tax rates in the next two budgets. This would require some I£450m in lost revenue to be made up through a reduction in tax breaks available to the corporate sector.

Portuguese premier promises expansion

By **Patrick Blum** in Lisbon

MR Anibal Cavaco Silva, Portugal's prime minister, yesterday promised further economic expansion and substantial administrative and electoral reforms, in outlining his new government's programme.

The programme presented to the national assembly (parliament) envisages maintaining an economic growth rate above the average achieved by Portugal's European Community partners in order to accelerate economic and social convergence with the rest of the EC.

Fighting inflation – now over 11 per cent on an annualised basis – will remain a priority to allow Portugal to participate fully in European monetary and economic union. Mr Cavaco Silva said inflation would be firmly within single digits next year.

The government will seek to maintain the present high level of employment – with 4.1 per cent out of work, Portugal enjoys the second lowest level of unemployment in the Community after Luxembourg – but the prime minister warned of the need for wage restraint.

Employment and investment will be encouraged above all in the productive sectors to improve efficiency, as well as in old sectors that are badly in need of restructuring. Investment and competition will be the key elements in restructuring the weakest sectors of the economy, such as textiles and agriculture.

Delphic Mitterrand regains the initiative

Ian Davidson on French constitutional reform plans

FOR THE past six months, ever since appointing Mrs Edith Cresson French prime minister, President François Mitterrand has been in trouble. Both have sunk steadily in the polls, and the second half of Mr Mitterrand's presidency seemed to be facing decline and defeat.

The odds on that prospect have now subtly changed, as a result of his announcement on Sunday that he would present wide-ranging reforms of the constitution. He has yet to reveal details, and it is hard to see how they can override the consistent verdict of the opinion polls, which point to a big victory for the right-wing opposition in the 1993 general election.

But the central new fact is that Mr Mitterrand is once again using his control of the levers of power to seize the *psychological* initiative. One cannot entirely rule out that he will be able to destabilise the conservative opposition by intervening with a judiciously timed debate on the future of the constitution, in which his presidential authority will carry the greatest weight.

In his Sunday night television interview, the president was characteristically delphic. He indicated clearly the parts of the constitution he wished to reform, but he did not reveal exactly how he wished to reform them. These reforms fall under four main headings.

- Shortening the presidential term – currently seven years, renewable. The assumption is he will propose a cut to five. But clearly he intends to give himself maximum freedom of manoeuvre, since he would not say whether he would retire after five years or stay until the end of his legal term in 1995.
- Strengthening the role of parliament, which he says is being "stifled". The national assembly has always been a subordinate element in the Fifth Republic, but never more so than today, when the government is short of a parliamentary majority; it is regularly compelled to side-step formal votes, and is only able to ram legislation through by challenging the opposition to table a censure motion. A change in parliament's role would seem to require either an increase in its powers, or electoral rules to ensure governing majorities, or both.
- Strengthening the Constitutional Council, and the judiciary's independence.
- A change in the voting method for the 1993 legislative elections. This is not strictly a constitutional change, since it can be introduced by a simple vote in parliament; but it clearly has a significant impact on the functioning of the Fifth Republic, and is manifestly part and parcel of the Mitterrand strategy.

Constituency members are currently elected by majority vote in two rounds of voting. Mr Mitterrand indicated on Sunday he intends to switch to a partially proportional method, which he said would ensure that all currents of opinion in France would be represented, and at the same time guarantee a national assembly which was not "ungovernable".

The astuteness of his initiative is that leading opposition politicians have long campaigned for most of the component elements, and must therefore welcome the changes. Shortening the presidential term to five years and strengthening parliament are now on everybody's platform, both left and right.

On the other hand, the opposition will fiercely oppose a shift to proportional voting, out of fear that it could rob them of victory in 1993. A recent simulation published by the conservative-inclined Figaro newspaper suggests that there is no change in the voting rules which looks likely to give the Socialists a victory; but there could be some variant of proportional voting which would rob the traditional conservatives of a majority, by opening the door wide to the Ecologists and the extreme right-wing National Front.

What the conservatives will fear most of all, however, is not the details of the constitutional reform, but the string which ties it all together: a referendum campaign conducted by François Mitterrand.

If he wins, his side could gain extra momentum in the 1993 election as the champions of constitutional reform. If he loses, he could resign (like General de Gaulle in 1969) and thus precipitate a sudden presidential election. In that election, the leading conservative candidates, former President Valéry Giscard d'Estaing and former prime minister Jacques Chirac, would be at each other's throats; and both of them would be liable to be defeated by either of the possible Socialist candidates, Michel Rocard or Jacques Delors.

President Mitterrand is not out of trouble yet, and his gamble may not come off. But he is not finished yet.

Stockholm privatisation programme

PLANS to privatise Sweden's state industry sector and open companies to foreign ownership were presented to parliament yesterday by the centre-right government, Robert Taylor writes from Stockholm.

They follow cuts announced at the weekend in the level of capital taxation on wealth and measures to stimulate small companies, savings and the level of risk capital.

The requirement for a foreign company to buy more than 40 per cent of the equity and 20 per cent of the voting rights of a Swedish company will go at the end of the year if parliament approves. Mr Per Westerberg, industry secretary, made clear that the two-tier system of free and restricted share ownership would remain, at least until the EC agreed uniform rules for share ownership.

EUROPEAN NEWS

IMF's man in Moscow looks to individual initiative

By Leyla Boulton in Moscow

'The difficulty is for the Soviets not to sink in a sea of advice...it is the people who will play the key role'

LAST week, a French civil servant with business experience became the International Monetary Fund's man in Moscow, the first permanent representative of an organisation the Soviet Union once damned as a nest of capitalist plotters.

Whether by chance or design, Mr Jean Foglizzo, 46, joins a team of Frenchmn occupying jobs closely linked to external assistance for Soviet reform. Others include his boss, Mr Michel Camdessus, the IMF's managing director, and Mr Jacques Attali, who heads the European Bank for Reconstruction and Development.

The tidiness of the IMF's one-room office in the luxurious Metropol Hotel – "This is a no-smoking area," says the sign. "Please leave your coat at the entrance" – contrasts sharply with the singularly messy task the west's most powerful financial institution faces in helping to sort out the Soviet economy.

Mr Foglizzo said in an interview that the intention was to build up the IMF presence in Moscow to a team of 10 to 20 people – bigger than any of the 40 other permanent representations around the world – though the IMF's role is smaller than in most other countries.

While the IMF's traditional role is to provide balance-of-payments assistance to countries implementing a programme of economic reform, a special associate status has been created to govern its relations with Moscow.

This means that the IMF will be sharing with reformers in Moscow and in the republics some of the world's best expertise on everything from central banking policy to compiling statistics.

But access to IMF funds will not be available until the Soviet Union, or individual republics, obtain some form of full membership. And that won't be possible until what Mr Foglizzo terms the "political impasse" over the future shape of the country is resolved, since only fully-fledged states can join.

But Mr Foglizzo, who began learning Russian out of enthusiasm for Russian culture, professes optimism about the prospects for successful economic reform in the disintegrating Soviet empire.

He notes that the Soviet Union has a debt half the size of that of Mexico, but a population five times as large.

Born in Morocco as the son of a French school director of Italian ancestry, Mr Foglizzo is a product of the best education France can offer.

After completing both the prestigious Ecole Polytechnique and the Ecole Nationale d'Administration, he began a varied career which took in 10 years with the French Treasury, two years with the IMF in Washington, and eight years as a banker and businessman in New York.

He returned to the IMF in January this year, landing the Moscow job partly thanks to his knowledge of Russian and to a background that included both public and private managerial experience.

His main conclusion from switching out of public service to private business is that governments should do all they can to encourage individual initiative while keeping their own role to a minimum.

He advocates a similarly humble role for foreign governments and institutions wishing to assist Soviet reforms. "The difficulty is for the Soviets not to sink in a sea of advice," he says.

In the end, he believes, it is entrepreneurs and individuals at grass roots level who hold the key to success.

"What we can do is force people to look at problems and say we can prove to you scientifically that if you don't fix this problem, you are going to have major trouble ahead.

"I'm very humble. I'm not the only expert to work on the Soviet Union. There are hundreds of us, and anyway it is the people who will play the key role in turning round their own economy."

Bulgaria to pursue tight policy on inflation

By Judy Dempsey

THE prime minister of Bulgaria intends to pursue a tight monetary and anti-inflation policy, despite the continuing fall in industrial production, energy shortages, and growing unemployment.

Mr Filip Dimitrov, a 36-year-old lawyer who heads Bulgaria's first non-communist government for over 40 years, recently told the Bulgarian parliament that "the priorities include combating inflation and stabilising the economy."

His cabinet is made up of members from the Union of Democratic Forces, a loose collection of political parties which won 34.36 per cent of the vote and 110 of the 240 parliamentary seats in last month's election. The Socialist (former communist) party won 33.14 per cent, and 106 seats.

The government's slender majority in parliament will be complemented by the Movement for Turkish Rights and Freedom, which won 24 seats.

The cabinet includes Mr Ivan Kostov and Mr Ivan Pushkarov finance minister and industry minister respectively in the outgoing coalition government.

The tasks facing Mr Dimitrov are formidable. On the economic front, he will have to stem the rapid decline in industrial production, which, compared to last year, has fallen 21 per cent over the past nine months.

He will also have to push through legislation to make Bulgaria attractive to the foreign investor, as well as speed up privatisation – which so far has been piecemeal and involved the privatisation of monopolies rather than the expansion of competition.

Leipzig's renovation held up by legal jungle of property claims

Andrew Fisher reports on a muddled legacy of unrecorded ownership that could take decades to untangle

JOHANN Sebastian Bach is being well-looked-after in Leipzig. The church where he was choirmaster for 27 years, the Thomaskirche, is being given a facelift, with the composer's imposing statue protected by scaffolding from falling masonry.

Buildings throughout Leipzig are being renovated, and the grime of decades of Communist neglect is being eagerly scrubbed away. Even the trade fair site at the edge of Leipzig will be moved nearer to transport links.

This will free a large area for development by the city, which is desperate for land unencumbered by property claims.

For despite the immense reconstruction needs of Leipzig, and the strong interest shown by investors, there is a lack of big projects. The resulting frustration shows through clearly as Mr Hinrich Lehmann-Grube, the mayor, outlines Leipzig's prospects, which are considerable, and its problems, which are daunting.

By far the greatest difficulty, he asserts, is the confusion and delay caused by people wanting back their old property.

Despite attempts in Bonn to sort out this muddle, it is still a considerable hindrance to economic development, Mr Lehmann-Grube says. "It's a legal jungle and we have to go through it very laboriously."

Leipzig's fledgling administration is burdened with as many as 20,000 claims on properties large and small, some of which the city would like to make available for hotels, offices, and businesses. In all of east Germany, more than 1m such claims have been lodged.

"We could have 20 big building sites here," he says, if development was not held up by the desire of former owners to have their property back. There could be many more large projects in the wider city area.

Mr Lehmann-Grube, who was city executive in Hanover before taking office in Leipzig in June 1990, says the political lobby of former owners has hindered attempts in Bonn to clear up the property tangle.

Because the restitution rights of former owners were written into the unity treaty, east German authorities have been inundated with claims. The government subsequently acted to give priority to new investors and pay compensation to former owners. But claimants can still present their own projects or take obstructive legal action. The mayor says he would need a host of lawyers and officials to clear the backlog. New investors want secure property rights, not least to use as security for bank financing.

There is another problem, too. Because the old East German regime tried to eliminate the idea of private property and never properly surveyed or registered land used by the state, the question of ownership is muddled further. Altogether, says Mr Lehmann-Grube, the property problems could take decades to sort out. "This is not properly understood in west Germany."

Mr Lehmann-Grube, a Social Democrat, is adamant that a failure to solve the property situation will delay economic recovery and cost the Bonn government and taxpayers more in the long run; he wants the principle of compensation to be paramount.

"The interests of several hundred thousand former owners have been put before the vital interests of 16m inhabitants of east Germany." Without a clear solution to the property issue, economic recovery will be held back and there will not be enough sites for new businesses. "No city administration in the world could solve this problem in a short time."

Yet despite his frustration on this issue, he is optimistic about Leipzig's chances in united Germany. Once the country's fourth largest city – now 13th – Leipzig has made an encouraging start in the unfamiliar environment of the free market. Unemployment is less than in the rest of east Germany, below 9 per cent; it rises to nearly 20 per cent if short-time working is included, still well under the east's average. The air is cleaner, though there is still a big environmental clean-up job to do. And banks, insurance companies, and other service business have flocked to Leipzig.

As yet, however, the city is still short of money. "We are living from hand to mouth," Mr Lehmann-Grube says. Leipzig is surviving on funds provided from Bonn via the state government of Saxony, in which Leipzig is located.

In west Germany, he notes, a town the size of Leipzig, with some 500,000 people, would have business tax revenues of around DM600m ($370m); at present, it has only DM60m.

Whatever its present problems, though, a positive spirit is apparent in Leipzig, which has strong cultural and commercial traditions. For years, it was under the heel of East Berlin, its needs neglected and many of its buildings allowed to decay. The city had its revenge two years ago, however. It was there that the demonstrations began which led to the eventual toppling of Erich Honecker's regime.

People may be more subdued today, but most still look forward to a more positive future, the mayor says. "The mood is divided. People feel more secure and pleased that the past regime has gone." But they have to bear huge burdens, social, economic, and psychological. "When everything changes at once, it is a huge challenge and a huge learning task."

Deeply frustrated at delay: the mayor of Leipzig, Hinrich Lehmann-Grube

Soviet, Finnish groups in accord on Kola Peninsula joint venture

By Enrique Tessieri in Helsinki

INSINOORIRAKENTAJAT and Haka, two Finnish construction groups, and TSO Murmanskstroi, a Soviet construction group, have established a Kola Peninsula-based joint venture called Somhak Murmansk.

The peninsula is part of the Soviet Union, near Murmansk.

Somhak Murmansk, which is aiming to take advantage of the big projects to develop the economic potential of the Kola Peninsula throughout the 1990s, will be controlled 50 per cent by TSO Murmanskstroi, 30 per cent by Insinöörirakentajat and 20 per cent by Haka.

Apart from the Norwegians and Americans, the Finns are also hoping to play an important role in helping to develop the region's vast offshore gas and mineral resources.

Mr Martti Rautee, a Haka director, said Somhak Murmansk was looking at such big projects as the one to renovate a large nickel smelter at the Russian town of Nikel.

Outokumpu, a Finnish base metals group, last month submitted a tender to the Norilsk Nikel Group for the renovation of the Petshenganikel's nickel smelter. The three-year project would require many sub-contractors and cost around $640m to complete.

Through the so-called Kola project, both Helsinki and Moscow have been aiming at the development of the Kola Peninsula in the areas of mining, offshore exploration, environmental protection, scientific co-operation and management training.

WORLD TRADE NEWS

Japanese, Slovaks to link up for Russian oil search

By Ariane Genillard in Prague

SLOVNAFT, the largest Slovak oil refinery company, will this week sign a joint venture accord bringing together Slovak and Japanese capital to extract crude oil in the Russian Federation.

Under the pact, the new company will be owned 50 per cent by the Russian Megion Neftegass25 per cent by C.Itoh of Japan and 20 per cent by the Slovak side.

The other 5 per cent will be owned by an undisclosed Swiss businessman. The company will exploit oil fields in the Siberian region of Nizhnervartovski. An annual output of 2m tonnes of crude is expected to be extracted by 1993, with 20 per cent refined in Slovakia.

Slovnaft hopes the investment will help compensate for the company's decline in output in the past two years. Between 1989 and 1990, the amount of crude refined at Slovnaft dropped from 8m tonnes to 6m tonnes of crude.

But profits have remained stable due to price rises following the price liberalisation programme which started in January. The venture shows the attempts of both Slovak and Czech companies to develop reliable business links with individual Soviet republics and companies.

Slovak plants, with output traditionally geared to Soviet markets, have been particularly hit by the fall in trade with its former partners.

But Slovak companies are increasingly finding ways to strike new business with Soviet partners. Earlier this year, an agreement was signed to set up a trading house to specialise in Slovak-Ukraine trade, using national currencies and barter deals.

Barter deals have most often involved Slovak companies trading foodstuffs and consumer goods for raw materials.

Economic pacts between Slovakia and Soviet republics have kept the Slovak government busy, with representatives from the Slovak industry ministry making over 30 official visits to Soviet republics, including the former Baltic republics and Georgia, this year.

Japanese companies in micromachine agreement

NINETEEN leading Japanese industrial companies, including Fanuc, Hitachi and Toshiba, have agreed to work together to develop micromachines – tiny machines less than 1mm in size, Steven Butler reports from Tokyo.

Micromachines are as yet an exotic field of technology. The tiny devices are expected eventually to be used for internal medical inspections and operations, and for inspection and repair of nuclear plants.

The companies have agreed to establish a Tokyo-based foundation, capitalised at Y200m (£865,800) to begin operation by the end of this year. The foundation will promote development of the machines.

The foundation is also planning to apply to the Ministry of International Trade and Industry (Miti) for financial support. Miti has a budget of Y25bn to spend over the next 10 years to support the development of micromachines and is accepting funding applications from a wide range of companies.

The pattern of Japanese industrial companies working together with the support of Miti has been a key element in the development of important Japanese industries, ranging from computers to semiconductor chips.

The foundation, to be headed by Mr Seiuemon Inaba, president of Fanuc, has left the door open to foreign participation, saying foreign companies are welcome to join the group once its operations have begun.

Other companies participating in the foundation include Yaskawa Electric, Omron, Mitsubishi Electric, Fuji Electric and Olympus Optical.

Warning of 'disaster' in end to US textile quotas

By Nancy Dunne in Washington

A COALITION of US textile and clothing groups has released a study warning that a proposed 10-year phase-out of textile and clothing quotas would bring "disaster" to their industry while "rewarding" the main Asian suppliers in China, India, Pakistan and Indonesia.

The US has made this proposal in the trade liberalisation talks of the Uruguay Round under the aegis of the General Agreement on Tariffs and Trade (Gatt). The study concludes that elimination of textile and clothing quotas over the next decade would cost the US industry nearly 1m jobs and up to 60 per cent in output losses. Its release, at a time of wide concern about the loss of US manufacturing jobs, previews the debate ahead if a final Uruguay Round package comes up for approval in Congress in a time of recession.

The study, produced by an independent trade consulting firm, was contracted by the Fiber, Fabric & Apparel Coalition for Trade (Ffact). It says that if current quotas under the Multi-Fibre Arrangement, extended for 17 months last July, stay in place, domestic output of textile and apparel products would slightly increase over the next decade. "By removing all MFA import quotas, as proposed in the draft agreement, employment in 2002 would fall from 1.7m workers today to 780,000."

Mr Michael Daniels, a lawyer for the US Association of Importers of Textiles and Apparel, said the study makes too many assumptions about a final agreement on textiles in the round. "No one knows the final phase-out percentages or the growth formula." It assumed a static market, all quota growth filled, and "our industry will become all of a sudden non-competitive in areas where it is competitive."

Mr Donald Hughes, chairman of Ffact, said US suppliers, including manufacturers of fibres, chemicals and machinery, would also suffer job losses.

Asia-Pacific trade bloc struggles for identity

But talk of rivals and enemies in one grouping is premature, **John Ridding** writes

FOR compelling evidence of how economic ties across the Pacific region are overcoming traditional political rivalries, one need look no further than the third ministerial meeting of the Asia Pacific Economic Co-operation group (Apec), which gets under way in Seoul tonight.

The meeting is set to achieve what many would have said two years ago was impossible: Beijing, Taiwan and Hong Kong will sit together as new members, and in the capital of the fiercest enemy of China's closest ally – North Korea.

Qian Qichen, Chinese minister of foreign affairs, will be the most senior visitor from Beijing to Seoul since the Korean peninsula was divided in 1945. He will sit at the same table as Mr Vincent Siew, Taiwan's economics minister, and Mr Chau Tak Hay, his Hong Kong counterpart. Given the raw and untested nature of these relationships, it is hardly surprising the regional economic forum is still finding its identity.

It is tough enough that its original 12 members share so few common economic interests: Japan and South Korea in north-east Asia; the US and Canada on the Pacific's eastern rim; Australia and New Zealand far to the south; the Association of South East Asian Nations (Asean), comprising Thailand, the Philippines, Singapore, Malaysia, Brunei and Indonesia. The three new members can only compound difficulties in defining shared goals.

Nevertheless, this week's discussions between the trade and foreign ministers of all 15 may prove an important step in determining how the region responds to the growth of international free trade zones and increased economic integration across the Pacific.

The significance of this week's meetings will extend beyond the region. In particular, they bring together many of the most important participants in the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt). With negotiations in Geneva at a critical point, conversations in Seoul may help determine their outcome.

"We don't want this week to turn into a mini-Uruguay Round," a senior official in Korea's trade ministry said. But with the US and EC apparently making progress in Geneva on the critical issue of farm market liberalisation, and with most of the remaining antagonists assembled in Seoul, that may be hard to avoid.

Mrs Carla Hills, US trade representative, has arrived early in Seoul. Along with representatives from the Cairns Group of 14 farm exporting countries, in particular Australia, she will press Japan and South Korea to accept the opening of their rice markets.

Japanese negotiators have recently shown some flexibility on the issue, indicating they might accept limited opening of their market. But Seoul has continued to insist rice be excluded from liberalisation on the grounds of non-trade concerns. With presidential and parliamentary elections due next year, and farm liberalisation a certain vote-loser, a breakthrough will not be easy.

The task of charting Apec's future will also be difficult. All are agreed that part of the group's role should be to develop improved co-ordination between the various members of the world's most dynamic economic area and to expand mechanisms for co-ordinating growing trade and investment links. But beyond that, the blueprint is blurred.

South Korea's trade and industry minister Lee Bong Suh meets US trade representative Carla Hills ahead of the talks

According to International Monetary Fund statistics, total intra-Apec exports of the 12-member grouping amounted to $557bn (£323.8bn) in 1989, more than double the level in 1980. During the period, the value of intra-Apec exports as a proportion of Apec economies' total exports also increased, from 46.9 to 56.4 per cent. But increased economic interdependence has not been matched by the growth of institutions for co-ordination: "We need a framework to manage our interests," one Australian diplomat said.

Under the aegis of Apec, such mechanisms are being put in place. Ten working groups, covering areas from telecommunications to trade promotion and collation of consistent data between the various countries, have been hard at work since the end of last year. Officials say they are pleased with the progress.

But beyond this, the business of the grouping becomes much less clear. The meetings in Seoul are unlikely to yield agreement on setting up a permanent Apec secretariat, an institution regarded as necessary for creating a more formal organisation. The declaration to be issued after the meeting is expected to be vague.

This lack of direction partly reflects the youth of the organisation, but also the diversity of interests of a group that ranges from commodity producers such as Australia and Asean's six members to the manufacturing powerhouses of Japan, South Korea and Taiwan. At the same time, the delicate stage of the Uruguay Round encourages a wait-and-see attitude.

For the economies of the Asia-Pacific, a desire for a successful Uruguay Round has grown in tandem with their fears of expanding international trade groupings.

"We are very concerned about the growth of trade blocs," says Mr Yu Deuk Hwan, assistant minister for trade policy in Seoul. "With the formation of the European Economic Area and the North American Free Trade Area, Korea is very much isolated."

Seoul's concerns are shared by its neighbours in the region. But there is less consensus on how to address them. While most Apec members, especially the US, oppose any kind of regional trade bloc, there is some support. Malaysia in particular has been seeking support for a regional grouping, now named the East Asian Economic Caucus, which would exclude the US, Australia, Canada and New Zealand.

At the same time, Taiwan has recently proposed an economic bloc comprising the three Chinas. The combination of China, Taiwan and Hong Kong would create "an industrial zone second to none," Mr Siew says. He has described a greater Chinese common market as a long-term goal.

for the foreseeable future, talk of Asia-Pacific trade blocs is premature. The US, which saw its trans-Pacific trade accelerate past its transatlantic trade in the 1980s, opposes the idea. With most of the Asian economies dependent on the US as their first or second-biggest export market, such an objection is hard to surmount.

APEC WORLD TRADE ($m)

Partner	Exports 1980	1987	1988	1989	Imports 1980	1987	1988	1989
World	534,010	746,221	906,376	988,136	570,753	820,103	953,522	1,058,455
Asean	38,287	45,077	59,521	72,580	50,612	56,534	67,599	78,932
Apec	250,715	421,833	502,633	556,941	269,967	438,516	523,741	582,867
Asean/total	7.2%	6.0%	6.6%	7.3%	8.9%	6.9%	7.1%	7.5%
Apec/total	46.9%	56.5%	55.3%	56.4%	47.3%	53.5%	54.9%	55.1%

Source: IMF, Direction of Trade Statistics

UK concern at Japanese car curbs

By John Griffiths

A UK motor industry delegation yesterday met Mr Peter Lilley, UK trade and industry secretary, to express growing concern that France and Italy might seek to curb distribution of UK-built Japanese cars despite a recent EC-Japanese "understanding" on Japanese car sales in Europe after 1992.

Mr Colin Hope, president of the Society of Motor Manufacturers and Traders, urged Mr Lilley to ensure adequate EC monitoring arrangements are put in place to stop other EC countries finding ways to block sales of such vehicles.

The UK industry's concern has grown after Italy and France made clear their dissatisfaction with the vaguely-worded understanding, covering both EC-built Japanese cars and direct imports from Japan, reached in July.

Last week, Mr Dominique Strauss-Kahn, French industry minister, told a parliamentary commission France reserved the right to retaliate if Japan failed to meet the "spirit" of the understanding.

France insists Japanese cars built in the EC are included in overall sales projections for Japanese cars during a transitional period to a completely open market in 1999. Japan, backed by the UK, insists no such curbs exist.

But attempts by France and Italy to protect their industries by vetoing adoption of common EC technical standards for cars appear to have been thwarted as a result of Spain indicating it will not now join them in the veto.

Gatt welcomes US farm offer

By William Dullforce in Geneva

US PRESIDENT George Bush's decision to scale down US targets in the dispute over farm subsidies with the European Community won a positive but cautious reaction in the General Agreement on Tariffs and Trade (Gatt) yesterday.

"We are encouraged by the outcome of the meeting in the Hague on Saturday," a spokesman for Mr Arthur Dunkel, Gatt director-general, said. The result of Mr Bush's talks with EC Commission President Jacques Delors and other Community leaders, on which Mr Dunkel had been fully briefed, "convinces us that the work in Geneva (on the Uruguay Round) is on the right track".

However, the Gatt official said, tough issues remained, and the utmost flexibility would be needed from participants to meet the end-of-the-year deadline for the Round.

Mr Dunkel has called farm negotiators to a meeting in Geneva tomorrow, but their discussion is likely to be limited to technical issues until the EC and the US have reached a firmer bilateral understanding on farm reform. The next staging post in the EC-US dialogue will come tomorrow in Rome, where Mr Ray MacSharry, EC farm commissioner, is due to meet Mr Edward Madigan, US agriculture secretary.

While acknowledging that EC and US farm negotiators are now discussing "realistic percentages" for cuts in farm subsidies, US officials warned that translating percentages into mechanisms for effecting reductions could still be difficult.

Differences persist over the base year from which the reductions are to be calculated. The US wants reductions in export subsidies to be based on physical quantities, not on budgetary allocations alone. The EC has revived its demand for a fair settlement of its "re-balancing" claim which would allow it to continue controlling imports of feedstuffs.

So far, there is no agreement on which domestic supports to farmers should be included in the "green box" of measures that will be exempted from reductions.

Strasbourg backs EC farm move

By David Gardner in Brussels

THE EC's gradual moves towards a more flexible position on farm subsidies in the Uruguay Round world trade talks received strong backing yesterday from the European Parliament

The legislative body endorsed a package of proposals close to what is understood to be the European Commission's negotiating stance.

The Strasbourg parliament's external economic relations committee also makes explicit the link between reform of the Common Agricultural Policy (CAP) and the Gatt talks. Hitherto, this has been a connection the Commission has always formally disavowed.

In its conclusions on CAP reform and the Uruguay Round, the committee says that "the reform proposals of the Commission imply a reduction of overall agricultural support and protection by more than the 30 per cent which the EC has offered so far in the Gatt negotiations, and which our trading partners regarded as insufficient".

The keystone of the reform plan is a 35 per cent reduction in cereals prices over three years, with direct compensation to farmers de-coupled from the amounts they produce.

If all these direct payments were put in the Gatt "green box" for subsidies which do not distort trade, the EC could theoretically deliver subsidy cuts of up to 55 per cent over five years within Gatt, a confidential Commission study recently calculated.

The Parliament is supporting:

- A 30 per cent reduction over five years in farm support.

Washington and Brussels are discussing either these figures or a 35 per cent reduction over six years for export subsidies, in talks which resume today in Rome.

- A tariff quota on cereals substitutes such as corn gluten feed. This would guard against artificial under-pricing of imports but would preserve "traditional trade flows" of about 15m tonnes a year from the US.

The Commission is understood to want a freeze on imports of feedstock substitutes at current levels, as a *quid pro quo* for reducing cereals exports, which annexes to the CAP reform plan see falling by 17m tonnes a year.

BAe in race to build $1.5bn Athens airport

THE Greek government yesterday narrowed to four from nine the number of international consortia submitting offers to build a $1.5bn (£870m) airport for Athens, AP-DJ reports from Athens.

Deputy Premier Tzannis Tzannetakis said the four groups chosen to take part in the final phase of selection included British Aerospace, Hochtief of West Germany, Lockheed Air Terminal of the US, and Société Auxiliaire d'Entreprises of France.

Mr Tzannetakis said the applications submitted by the nine participating consortia had been assessed with the help of Salomon Brothers, the financial advisers to the government for the airport project.

The project file containing the terms and conditions on which the four groups will base their final tenders will be given to them in December. The contract is expected to be allocated in the spring of next year.

The contract is for construction of a new Athens airport at Spata, 55km south-east of the capital, on a "build-operate-transfer" basis.

Miti unveils plan to increase imports of parts and capital goods

Baker seeks cut in Japanese trade surplus

By Stefan Wagstyl in Tokyo

MR James Baker, the US secretary of state, yesterday urged Japanese government ministers to redouble efforts to curb their country's rising trade surplus and to ease a ban on rice imports.

He also had to placate his hosts' irritation over postponement of a planned visit by President Bush, who had been due in Tokyo later this month.

Mr Baker, in Tokyo on a tour of Asian capitals, held talks with Mr Kiichi Miyazawa, the new prime minister, and the ministers for foreign affairs, international trade and industry and finance.

Mr Baker expressed concern over the US trade deficit with Japan, saying it now constituted 70 per cent of the total US deficit. He pressed Japan to adopt further specific market-opening measures – including opening the government procurement of supercomputers to foreign competition and increasing purchases of foreign-made car parts.

In reply, Japan unveiled a plan for large companies to increase imports, including imports of parts and capital equipment, boost local procurement in foreign countries, and expand commercial ties with non-Japanese groups through joint ventures and capital links. In a carefully staged-managed announcement, the Ministry of International Trade and Industry (Miti) said the scheme, called the Business Global Partnership, embraced about 40 leading companies in industries including cars, electronics, steel, and machine tools.

Companies would be asked to submit "voluntary plans," said Miti. The project is very similar to previous import-boosting measures. Its novelty lies in its emphasis on importing parts and capital equipment – products which many Japanese companies are loathe to buy from non-Japanese – and in co-operation with foreign groups in overseas markets. However, Miti will have no power to force companies to co-operate, nor will it set standards by which businesses will be judged.

Both in meetings and in a speech, Mr Baker pressed Japan to do more to promote a successful conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade, which has stalled over agricultural issues.

Mr Baker urged Japan to ease its ban on rice imports but Mr Miyazawa said the proper place for discussing rice was at the Gatt. But he pledged to work towards a successful conclusion of the Uruguay Round.

Mr Baker was due in Seoul today for a ministerial meeting of the Asia-Pacific Economic Co-operation (Apec) conference. After that he is due in Beijing for talks with Chinese leaders.

James Baker, US secretary of state, being welcomed by Kiichi Miyazawa, Japan's prime minister

Unholy row grips Japan's religious groups

Stefan Wagstyl looks at friction between an old Buddhist order and its lay affiliate

A MOST unholy row has broken out between Japan's biggest religious group and its lay affiliate over the latter's alleged indiscipline, corruption and involvement in scandals, including tax dodging on the sale of gravestones.

Nichiren Shoshu, a Buddhist group founded in the 13th century, last week ordered Soka Gakkai, the lay affiliate, to disband or face excommunication.

Soka Gakkai responded by demanding the resignation of Mr Nikken Abe, Nichiren Shoshu's high priest, and declaring it would ignore the monks' orders.

It has also started to break Nichiren rules by holding weddings and funerals without Nichiren monks in attendance.

Soka Gakkai accused the monks of misusing believers' donations by "running about madly playing golf and living spendthrift lives".

It also claimed Nichiren monks were exceeding their authority, for example, by condemning the singing of Beethoven's Ode to Joy at Soka Gakkai meetings.

Even though most Japanese have little interest in religion beyond the ceremonies marking births, marriages and deaths, the tale of Nichiren Shoshu and Soka Gakkai has gripped the country.

At its heart is a long-standing tension between the conservative monks of Nichiren Shoshu and the aggressive leaders of Soka Gakkai, who have created the largest and wealthiest lay organisation in Japan and along the way founded Komeito, the country's third largest political party.

Founded in 1930, Soka Gakkai has been led since 1960 by Mr Daisaku Ikeda, a larger-than-life figure who is revered as a god by some of the movement's 8m member families. Under Mr Ikeda's leadership, Soka Gakkai has established schools, colleges and accumulated one of Japan's largest art collections.

The group has been frequently accused of putting profit before prayer and of cutting corners in its over-zealous pursuit of yen.

This year it topped the list of non-profit organisations which had failed to report tax: it omitted to disclose Y3bn (£13m). Separately, Soka Gakkai admitted failing to report Y2.38bn from the sale of gravestones in five cemeteries. The group's total income is estimated at over Y100bn.

Soka Gakkai figured this summer in a scandal involving the purchase of two Renoirs – After the Bath and Young Girl Reading – from Mitsubishi Corporation, the trading company.

Mitsubishi said the paintings had been bought and sold for Y3.6bn. But tax officials who investigated found evidence of deals worth only Y1.2bn. Mitsubishi said it could not account for the missing Y1.5bn and wrote it off as "entertainment expenses".

Soka Gakkai was also named in the stock market scandal which stemmed from stockbrokers compensating favoured clients for trading losses. To the disgust of some of its followers, the organisation was one of the recipients of the brokers' largesse.

Nichiren monks say they are appalled at Soka Gakkai's behaviour. "These activities highlight how the organisation has deviated from what a religious grouping should be," said Nichiren in a statement issued from its vast head temple in Shizuoka prefecture, south of Tokyo.

The monks are also worried about Mr Ikeda's increasing willingness to pronounce on matters of faith. Late last year, Mr Ikeda was condemned by Nichiren Shoshu for saying that sermons of Mr Abe, the head monk, were incomprehensible. "Mr Ikeda makes statements which disgrace the name of Nichiren," said the monks.

Soka Gakkai said the organisation would continue its activities – religious and otherwise – whatever the monks did. There was no reason for the group to disband.

What Nichiren himself would have made of the divisions among his followers is anybody's guess.

A central tenet of his teaching was the belief that individuals themselves must be transformed before society as a whole could change for the better.

HK banks tighten up on mortgage lending

By Angus Foster in Hong Kong

HONGKONG Bank and its subsidiary Hang Seng Bank are tightening their mortgage lending policy as concern mounts about Hong Kong's overheated residential property market, where some prices have risen 40 per cent this year.

The move follows a package of measures announced by the government last week to quell speculation on residential flats. Many property analysts believe the government's measures did not go far enough.

The two banks, which control more than 30 per cent of Hong Kong's mortgage market, are cutting the percentage of mortgage financing on offer to buyers of new flats from 80 to 70 per cent.

It is the second cut this year and brings the limit to its lowest level for about five years.

Mr Paul Selway-Swift, general manager, Hongkong Bank, said current price levels were uncomfortable. "We do feel the market is getting into the overheated bracket," he said.

Hong Kong's present property boom has been fuelled by limited supply and increased demand as confidence improved following the end of the Gulf war and agreement with China on Hong Kong's new airport.

Last week about 30,000 people queued for fewer than 2,000 flats being sold by Cheung Kong, the property development company controlled by Mr Li Ka-shing.

This imbalance has allowed property developers to dictate financing terms to banks wishing to be involved in new developments. Speculators, who buy and sell flats several times for profits of about HK$100,000 (£7,250) a flat, have also been blamed for driving up prices.

The government's measures, which make stamp duty payable on every sale and purchase instead of only upon completion, are designed to eat up speculators's profits. But some speculators say they will pass on the stamp duty to the end purchaser.

Hong Kong's stock market, which expected tougher measures from the government, went to record highs after the package was announced.

Hong Kong's commissioner of banking recently wrote to the colony's banks urging caution towards property lending. Other banks in the colony, including the Bank of China, which provides about 20 per cent of Hong Kong's mortgage lending, are still offering 80 per cent financing.

These banks may now follow the Hongkong Bank and reduce their limits.

Government admits giving tranquilliser to boat people

By Angus Foster

THE HONG Kong government yesterday admitted that two Vietnamese boat people were administered Valium the day before they were forced back to Vietnam at the weekend, but the government continued to insist excessive force was not used.

Mr Clinton Leeks, refugee co-ordinator, said two women were injected with the drug on the advice of a doctor for medical rather than security reasons. The women were "very distressed" before they were taken to Kai Tak airport, Mr Leeks said.

The government made its statement following many complaints from the 59 boat people who were forced home on Saturday in the first mandatory return since 1989. The boat people, who included pregnant women, have alleged police beat them and tied their hands with wrist restrainers.

About 10 boat people had to be carried on to the aircraft during the Saturday operation. They were clearly attempting to resist but were heavily outnumbered by police.

One of the boat people was arrested by Vietnamese authorities who claim he stole state property before leaving for Hong Kong.

A representative of the United Nations High Commissioner for Refugees has confirmed the man was arrested on theft charges.

Vietnam has pledged that returning boat people will not be persecuted for political reasons, although they remain subject to the law.

Tension remained high in Hong Kong's camps, where more than 63,000 boat people are housed.

Three demonstrations involving about 7,000 boat people took place yesterday, although the government said all the protests were peaceful.

Murder inquiry puts pressure on President Moi

Julian Ozanne looks at widespread allegations of corruption in high places that have surfaced in Kenya

IN A colonial courthouse in Kisumu, a sleepy town on the shores *of Lake Victoria, a political time* bomb is ticking away.

Evidence given at an inquiry into the mysterious murder of Mr Robert Ouko, the former foreign minister whose charred and mutilated body was found dumped in a field near Kisumu in western Kenya in February 1990, has already shaken the government of President Daniel arap Moi.

Among the most serious allegations has been the claim, made by European business representatives in affidavits presented to the inquiry by British detectives, that the three most powerful politicians in the President's inner circle – Professor George Saitoti, vice president and minister of finance, and Mr Nicholas Biwott and Mr Elijah Mwangale, both ministers, demanded kickbacks from an Italian contractor.

The inquiry, established by the government last year, has also heard that Mr Ouko was heading an internal probe into high-level corruption at the time of his murder. Whether the probe had official sanction is not clear; but whatever Mr Ouko may have uncovered seems to have angered several of his cabinet colleagues, worried that it might reveal their own illegal dealings.

An affidavit by Mr Ouko's brother Mr Eston Barak Mbajah from his US exile, made public but yet to be admitted before the inquiry, says shortly before Mr Ouko's death his brother had a strong dispute with Mr Biwott over "foreign accounts Biwott and other government ministers held in other countries".

Mr Mbajah claims that it was this dispute which led to Mr Ouko's suspension as a minister by President Moi. Mr Mbajah also claims that Mr Hezekiah Oyugi, former permanent *secretary in the Office of the President* in charge of internal security, asked him to cover up his brother's murder. He says Mr Oyugi offered him money and a seat in parliament. When he refused to co-operate, he alleges he was arrested, "stripped naked and thoroughly beaten".

Perhaps the most damaging evidence was disclosed last week when the inquiry heard the testimony of a retired British police superintendent, Mr John Troon, formerly of Scotland Yard. At the request of the Kenyan government, London detectives last year carried out a 110-day investigation into the murder. Their report, which government originally promised to publish, has so far not been released.

Mr Troon told the court that government officials, led by Mr Oyugi, had stopped the Scotland Yard team from making public their belief that the case was homicide and that he tried to disguise the death as suicide.

The inquiry, now in its 235th day and closely followed by the local media, has not only confirmed the view of many Kenyans that corruption is widespread. The allegations have also alarmed international donors, which provided about $900m of aid last year.

Denmark's foreign minister, Mr Uffe Ellemann-Jensen, last month ended Danish economic assistance to Kenya after a report by the Danish Audit Department said that a "large part" of the Dkr215m (£19m) spent over the past 17 years on rural development in Kenya had "disappeared because of corruption and into impossible projects".

The Danish move reflected mounting concern among western donors, particularly the US, Britain, Germany, Sweden and Norway, that corruption had become the greatest single obstacle to better economic performance. The International Monetary Fund recently estimated that Kenyans were holding $2.62bn in overseas bank accounts, excluding numbered Swiss accounts, at least part of which is thought to stem from dishonest deals.

A critical test of international reaction to the Kisumu revelations is expected at a meeting of leading donors in Paris on the 25th of this month. Several western governments and agencies are likely to press the case for democratisation as a vital prerequisite of sound economic management and accountability.

Strong criticism will also be voiced, say diplomats in Nairobi, about specific economic issues, including the government's poor performance on privatisation, and the failure to reduce the budget deficit which increased last year from 4.2 to 5.3 per cent of GDP, compared to a target of 3.8 per cent.

On the home front, a potentially explosive test comes this weekend. The pro-democracy opposition group, the Forum for the Restoration of Democracy (FORD) plans to hold a mass political rally. A similar rally last year erupted into three days of violent rioting in which, officially, 22 people were killed.

"The Ouko inquiry is devastating. It has shattered what little credibility President Moi had left," says Mr Paul Muite, chairman of the Kenya Law Society and a leading government opponent: "It has shown once and for all, in public, that here is a corrupt government with no legitimacy which is prepared to commit all manner of crimes."

President Moi, however, is attempting to defuse the Kisumu time bomb. In a speech last month he attacked corruption and pledged his government would strengthen legislation to combat this "scourge". This was followed by a sweeping reshuffle of the government which affected the most powerful members of the government, including Mr Biwott, who was moved from energy to industry and Mr Oyugi, who lost his job.

A British detective told an inquiry yesterday he believed Mr Robert Ouko, Kenya's then foreign minister, was murdered 20 months ago because he was leading an inquiry into high-level corruption, Reuter reports from Kenya.

Mr John Troon, who led a British police team called in to investigate the death also told the judicial inquiry that he was unable to complete his report because requests to interview senior government officials were turned down.

"I was told that the matter of the investigations would be taken from there on by Kenyan authorities," Troon said. He said Mr Philip Kilonzo, Kenya's Police Commissioner, had directed him to submit his report prematurely although he had expressed a wish to interview senior members of the government.

Charles Twining arrives in Phnom Penh yesterday

US sends envoy to Cambodia after 16 years

By Victor Mallet in Phnom Penh

THE first permanent US representative for Cambodia since 1975 arrived in the capital, Phnom Penh, yesterday, another sign of the accelerating renewal of ties between Indochina and the outside world.

Mr Charles Twining, US chargé d'affaires, expressed the hope that the peace accord signed in Paris last month by Cambodia's four rival factions would prevent further bloodshed.

"We believe the comprehensive settlement agreement offers the most realistic way to bring peace to Cambodia," he said, "to give the Cambodian people the chance to choose their own government and build safeguards against a return to the violence of the past."

Mr David Burns, the British envoy, also arrived yesterday, saying that Cambodia faced a difficult period. "The goodwill is there," he said. "I'm not going to say whether it's going to work quickly or slowly."

As United Nations troops prepare for their biggest-ever peacekeeping mission, residents of Phnom Penh are waiting expectantly for the return of Prince Norodom Sihanouk, the "god-king" deposed and replaced by the US-backed regime of Lon Nol in 1970. The extreme-left Khmer Rouge guerrillas won control of Cambodia in 1975, and are estimated to have killed 1m people before Vietnam invaded the country and took charge four years later.

Mr Hun Sen, the Vietnamese-backed prime minister, flew to Beijing yesterday to accompany Prince Sihanouk for his triumphal return home on Thursday. The Prince will head the Supreme National Council, which includes the Khmer Rouge and the other main Cambodian factions, but it remains unclear how the SNC and the existing bureaucracy will function alongside the UN until elections due in 1993.

Cambodians are curious at the mass return of westerners, and yesterday onlookers gathered outside the headquarters of the Australian UN contingent to stare at a green and yellow flag depicting Matilda, a kangaroo with boxing gloves. The old US embassy building has been taken over by the Ministry of Fisheries.

The optimistic mood on the streets of the capital – seething with motorcycles and tricycle taxis – has been enhanced by Asian investors, who are keen to stake their claim to what amounts to a virgin economy. But there are lingering fears that the Khmer Rouge, Cambodia's most powerful guerrilla army, may yet find a way to return to power.

S African factional violence leaves 52 gold miners dead

By Patti Waldmeir in Johannesburg

AT least 52 miners were killed in fighting over the weekend at an Anglo American Corporation gold mine near the South African town of Welkom, in one of the worst outbreaks of violence between black factions this year.

The causes of the fighting, which has left about 70 miners dead in the past week, appear to be both tribal and political. Violence broke out on November 3, when pro-union Xhosa workers clashed with anti-union Sotho-speaking miners on the eve of a two-day general strike supported by the black miners union, the National Union of Mineworkers (NUM).

It is understood that the Basuto miners, who are migrants from Lesotho and are less politicised than their Xhosa colleagues, tried to report for work despite the strike. Clashes ensued, and revenge battles broke out again last weekend. At least 180 workers have been wounded in fighting between men wielding axes, spears and clubs.

The violence at the President Steyn mine near Welkom, in the Orange Free State, is to be investigated by the government's newly-appointed standing commission on violence, headed by a leading South African judge, Mr R.J. Goldstone.

Anglo American, the owners of the mine, yesterday refused to comment on the causes of the fighting, while the NUM said that the presence of non-mine employees among the dead raises suspicions that a so-called "Third Force" had been involved. Right wing supporters, acting within or outside the police, have often been accused of involvement in the violence which has left some 3,000 blacks dead in the past 15 months.

It is the worst sustained conflict since the government, the African National Congress (ANC) and the Zulu-based Inkatha Freedom Party – main adversaries in township violence – signed a national peace accord two months ago. There is no sign of Inkatha involvement in the current mine violence.

South Africa's mine hostels, where workers were traditionally segregated by tribe, have continued to suffer tribal violence despite the integration of many hostels in recent years.

The battles at the President Steyn mine, which witnesses said took place mainly near the hostels, were the only serious eruptions of violence during the general strike, the biggest in South African history.

Saudis write off Moroccan debt

SAUDI ARABIA has written off $2.8bn (£1.58bn) worth of Morocco's foreign debt, writes Francis Ghiles.

The country's foreign debt stood at $21.2bn at the end of last year.

The move is a gesture of thanks for the support King Hassan gave Saudi Arabia in the conflict with Iraq earlier this year, which included sending 1,700 troops to the Gulf. It comes on top of the $1bn Saudi Arabia and other Gulf states gave Morocco last autumn. King Hassan's debt to Saudi Arabia includes aid extended after Morocco occupied Western Sahara in 1975.

Jordan reshuffle

Jordanian Prime Minister Taher al-Masri plans cabinet changes within two weeks in an attempt to secure a majority in parliament, where he faces opposition to Middle East peace talks and economic austerity measures, Reuter reports from Amman.

Gulf states not keen on Arab deployment

By Tony Walker in Cairo

EGYPTIAN and Syrian hopes of renting military detachments to the Gulf states for their security yesterday appeared to have suffered a further setback, with Gulf foreign ministers meeting in Cairo expressing a lack of enthusiasm for the idea.

Representatives of the six states of the Gulf Co-operation Council plus Egypt and Syria are now considering the establishment of an Arab rapid deployment force to deal with emergencies. This plan is considerably scaled down from one which emerged in the immediate aftermath of the Gulf crisis. Then the anti-Iraq alliance – known by diplomats as the "six plus two" – meeting in Damascus on March 6 resolved to form an Arab peacekeeping force in the Gulf based on the deployment of Egyptian and Syrian contingents in the region.

Gulf states have now had second thoughts and are not keen to have Egyptian and Syrian troops on their soil. Formation of an emergency strike force would amount to a compromise. Both Egypt and Syria, whose economies are in bad shape, had hoped to earn foreign exchange from the positioning of their soldiers in Gulf states.

Kuwait reached a 10-year security agreement with the US in September and the Gulf states would prefer to remain under the American defence umbrella.

Another issue likely to be discussed by "Damascus Declaration" countries in Cairo this week is Qatar's plan to secure water from Iran by way of an 1,800 km pipeline. Gulf states are likely to be sceptical of this proposal, as it would strengthen Iran's position in the region.

AMERICAN NEWS

US union hitch ends steel venture plans

By Our Foreign Staff

BETHLEHEM Steel said last night that it and British Steel had agreed to end talks about a proposed joint venture in the US.

The US company said discussions over the proposed structural steels venture had broken down because the two companies had not been able to reach a mutually satisfactory labour agreement with the United Steelworkers (USW) union.

The venture would have involved restructuring and modernising Bethlehem's structural steel and rail production plants in Pennsylvania and both companies had repeatedly said that agreement with the US union was crucial to its success. British Steel had made it clear that the venture would involve around 2,000 job cuts at the plants.

British Steel said last night that while the project had proved technically feasible it was always dependent on a satisfactory labour agreement. Both companies had always maintained that the venture should only proceed if they were satisfied it could be internationally cost-competitive.

Mr Walter Williams, Bethlehem Steel's chairman, said he was disappointed a labour agreement could not be reached and the company would now consider strategic alternatives for structural and rail products.

The company said that, as previously announced, existing iron and steelmaking operations at the Bethlehem plant, involving the blast furnaces, basic oxygen furnaces and related facilities, would be discontinued over the next few years.

Earlier yesterday, at a London press conference held by British Steel, the privatised steelmaker, to announce first-half results, the company was critical of the attitude of the USW.

Tentative proposals for the venture were announced earlier this year and a deal would have given British Steel a large US market presence.

The proposals had already been radically revised, with the companies abandoning plans to consolidate Bethlehem's two structural steel plants into one. This was seen as a concession to the unions.

Failure to agree on the venture is a serious blow to British Steel but the company has not formally changed its position that its growth prospects depend on building its presence in developed markets, and especially Germany and North America.

'A free-market mole' at bay in the White House

George Graham on housing secretary Jack Kemp

OPPOSITION Democrats have been making hay with the US administration's apparent impotence to pull the economy out of its torpor. The criticism has gathered pace whenever President George Bush travels abroad.

But in recent weeks it has often seemed that the most vigorous critic of the Bush administration's economic policy, or lack of it, was sitting at the cabinet table in the person of Mr Jack Kemp, secretary for housing and urban development (HUD).

Mr Kemp made another attack on Sunday, renewing his appeal for a deal between the administration and Congress to couple a cut in capital gains tax with the extension of unemployment benefits sought by the Democrats. Mr Kemp sees the capital gains tax cut as essential oxygen for the economy.

This, and a mixed bag of other incentives such as tax credits for low income housing and boosts to personal pension plans, would "get this bone out of the throat of our body economic and create more jobs," Mr Kemp said.

The debate between Mr Kemp, a supply-side politician who many see as the true heir of the Reagan era, and moderate technocrats such as Mr Richard Darman, budget director, and Mr Nicholas Brady, Treasury secretary, has been an extraordinarily public display of the Bush administration's ideological rift.

"It's a friendly debate, it really is, but it's a vigorous one," Mr Kemp acknowledged.

Others in the administration take a less rosy view of the conflict. They believe that Mr Kemp is playing into the hands of the Democrats by almost directly contradicting President Bush, who said on Friday that the economy was not in recession and who has warned of the consequences any tax cut would have for long-term interest rates.

Democrats have been swift to take advantage of the lack of harmony. "This is the most unfocused White House that I've seen in a long time, and when you see a good Republican like Jack Kemp making that point, that is an indication that there is real alarm within the Republican party about 1992," crowed Mr James Carville, a political strategist. Mr Carville has become the darling of the Democrats since the upset election victory in the Pennsylvania Senate race he helped engineer last week for Mr Harris Wofford against a former Bush cabinet member, Mr Richard Thornburgh.

It is not the first time that Mr Kemp has clashed with Mr Darman and Mr Brady, whose cautious and compromising attitudes have led Mr Bush into decisions – such as last year's acceptance of tax increases – that ran right against the grain of more ideological Republicans.

"The thing to understand about Jack Kemp is that he believes," noted Mr William Raspberry, a Washington newspaper columnist.

Mr Kemp, a former quarterback for the Buffalo Bills professional football team, with 18 years as a congressman for New York State, describes himself sometimes as a "bleeding heart conservative" and sometimes as a "free-market mole" inside the administration. He ran for the Republican presidential nomination in the last race until pulling out in March 1988.

He has put both aspects to use at HUD, pressing for an ambitious programme to privatise public-sector housing but doing so with a real belief that these policies can make a difference to poor people.

Even Mr Kemp's fiercest critics acknowledge the job he has done in clearing up the housing mess.

But the goodwill he won for the clean-up is now largely exhausted and his efforts to expand free-market housing programmes are consistently blocked in Congress. Last week he suffered another rebuff, when Mr Bush signed his department's appropriations bill for the current year.

The $23.8bn (£13.8bn) total is a record for HUD but Congress slashed Mr Kemp's cherished Home Ownership for People Everywhere (Hope) programme to help public housing tenants buy their homes, and ordered him to spend 50 per cent more than he had wanted on building new public housing.

Jack Kemp: clashes with Darman and Brady

The changes so enraged Mr Kemp that he urged the president, without success, to veto the appropriations bill.

For more than a year now Mr Kemp has made little secret of his frustration at the narrow confines of HUD. He has complained that people do not listen to his views on economic policy as they would if he were secretary of the Treasury, and a few months ago he said he would like a new cabinet post after next year's presidential election.

Last week the US Business and Industrial Council, a conservative business lobby, called on President Bush immediately to name Mr Kemp Treasury secretary to implement an aggressive economic growth policy.

But unless Mr Kemp has more success than he has had to date in winning the president round to his way of thinking, he may have to pursue his beliefs outside the administration.

Argentina adopts new sell-off strategy

By John Barham in Buenos Aires

ARGENTINA yesterday announced a new privatisation strategy aimed at raising $3.5bn (£2bn) in cash by the end of next year through the sale of controlling shares in all state companies to private operating companies.

Officials say the government intends to sell more than half of each company's voting capital to operators this year. It would float its remaining shares on local and international capital markets at a later date.

This will enable Mr Domingo Cavallo, economy minister, to meet President Carlos Menem's demand that all state companies be either privatised or wound up by the end of 1992, while enabling the government to realise better prices for its equity by not flooding the market with new stock.

Companies up for sale include the railway network, the three federally-owned electricity companies, a water company, the government's gas monopoly and YPF, the national oil group.

Work on selling these assets began in February, when Mr Cavallo took office. The companies are to be broken up and sold as individual units which will operate under near-market conditions with the supervision of a federal regulator.

However, analysts warned yesterday that Mr Cavallo's ambitious programme faces numerous obstacles. Not only is privatisation a complex and time-consuming process, analysts doubt all companies will find ready buyers.

They add that by establishing a deadline the government has damaged its bargaining position.

Mr Cavallo said the government would spend about $1bn of its privatisation receipts in severance payments and other benefits to the approximately 70,000 employees who will lose their jobs.

The Defence Ministry is also wading into the market with steel, chemical and manufacturing holdings valued at $5bn.

Mexico slows peso devaluation and extends wage accord

By Jeanne Grant in Mexico City

MEXICO has halved the rate of daily devaluation of the peso against the US dollar from 40 centavos to 20 centavos but stopped short of fixing the parity, as expected by many observers.

The move was one of several measures linked to the extension at the weekend of a wage and price control accord with representatives of business, labour and the farming sector, which also included steep increases in energy prices.

The steepest rise is for leaded petrol which has shot up almost 55 per cent, compared with a 25 per cent rise for unleaded petrol.

The differential increase is aimed at encouraging use of unleaded petrol, although unleaded petrol remains more expensive than leaded. Domestic electricity prices were increased 15 per cent.

Other measures included:

- Exchange controls, gradually liberalised over the past decade, were abolished.
- Value added tax was reduced from 15 to 10 per cent, while food and medicines continue to be exempt.
- The daily minimum wage was increased by 12 per cent.

The previous rate of nominal devaluation – equivalent to about 5 per cent a year – already involves a real appreciation of the peso against the dollar, given Mexico's annual rate of inflation of around 16 per cent or just over. Industrialists have argued that steeper real appreciation of the peso would make their goods uncompetitive in their biggest foreign market – the US.

Some labour leaders are said to be disappointed with the minimum wage increment but this will have to be ratified in the new year. The accord, known as the Pact for Economic Stabilisation and Growth, or El Pacto, has been extended until the end of January 1993 – the sixth extension since its inception in December 1988.

Chile moves towards greater democracy

By Leslie Crawford in Santiago

PRESIDENT Patricio Aylwin of Chile has embarked on constitutional reforms to remove vestiges of the authoritarian system inherited from the 1973-90 military regime.

The first of these reforms, approved by a joint session of congress at the weekend, reintroduces direct elections for municipal councils and mayors. Local officials were appointed by General Augusto Pinochet during his 16-year dictatorship.

The first local elections since 1971 are expected before June next year. Political parties have already embarked on a race to find thousands of candidates. The voting will be seen as a dry run for the congressional and presidential elections in December 1993.

Mr Aylwin will present other constitutional amendments at the start of the new parliamentary year next March. The most controversial would restore the president's power to remove the commanders-in-chief of the armed forces. Under Chile's 1980 constitution, the civilian president can neither appoint nor remove military chiefs.

Gen Pinochet has the right to remain as head of the army until 1997. He is the only military commander of the 1973 coup who remains in active service and the government regards the general's continuance in his post as the main obstacle to a full democratic transition.

Other amendments aim to reform the electoral system that over-represents the right-wing opposition, alter the composition of the constitutional tribunal and abolish appointed senators.

All these reforms are expected to encounter stiff opposition from the right.

UK NEWS

Thomson-CSF criticised over closure plans

By David Goodhart, Labour Editor

THE CHAIRMAN of one of Europe's leading works councils, aimed at improving employee-management relations, has complained that Thomson-CSF, the French electronics group, failed to consult the council before it announced last month it was closing its plant in Gosport, southern England.

Mr Bert Therion, the Belgian chairman of the employee side of the council, was only told of the closure at the same time as the 740 staff at Gosport in spite of a clause in the works council agreement which says the council should be informed "in advance of major structural or industrial changes" and have the opportunity to make alternative proposals.

Mr Therion has made a formal complaint to the company, but whatever the response the Thomson-CSF experience may dampen union enthusiasm for European works councils.

The Thomson-CSF council has often been held up as a model, along with those in the other French companies Bull and BSN, of a successfully functioning EC-wide forum, recognised by employers, for informing and consulting with workers.

The Thomson-CSF council has employee representatives from France, Germany, the UK, Italy and Spain.

The European Commission's draft directive on mandatory works councils envisages councils similar to the one at Thomson-CSF. The directive is likely to be blocked by the British veto but an increasing number of large companies are voluntarily introducing such Europe-wide forums.

According to evidence on works councils presented to the European Commission by the DGB, the German equivalent of Britain's Trades Union Congress, 197 out of the EC's top 1,000 companies already have some company-wide forum for informing and consulting with employees compared with only 44 in 1984/1985.

UNICE, the European employers body, has rejected mandatory works councils in favour of voluntary consultation methods.

It has agreed, however, that it's procedures should be reviewed after a few years to see if they are achieving their aim of keeping workers well-informed.

Gap widens in public and private sector pay

By Diane Summers, Labour Staff

PAY INCREASES for top public sector posts have dropped seriously behind their private sector counterparts, while increases in earnings at the lower end in the public sector have outstripped equivalent private sector increases.

The findings are the first long-term comparisons between the sectors to be published. They have been compiled by Mr Chris Trinder, of the Public Finance Foundation, a division of the Chartered Institute of Public Finance and Accountancy.

Pay increases for non-manual women in the public sector have fallen the furthest behind, according to the figures. The group, which includes headteachers and senior nurses, has seen a shortfall of 23 per cent when compared with equivalent private sector increases. Civil service, local government, health and education deals often include larger percentage rises for the low paid, or flat rate elements, says Mr Trinder.

Average gross weekly earnings for public sector males was £313.50 in April compared with £320.60 in the private sector.

Docklands railway on privatisation track

By Richard Tomkins, Transport Correspondent

Switching to a new track: the Dockland Light Railway is to be handed over to the local development corporation

LONDON REGIONAL Transport (LRT) is to be stripped of its responsibility for the notoriously unreliable Docklands Light Railway in east London , Mr John Major, the prime minister, announced last night.

The railway is to be handed over to the London Docklands Development Corporation (LDDC), the government-sponsored body responsible for Docklands regeneration, as a first step towards privatisation.

LRT reacted furiously to the decision. Mr Wilfrid Newton, LRT chairman, called it "entirely political" and said it was against the interests of transport in London and Docklands.

The railway's users, however, may greet the change of ownership as an opportunity to bring a fresh approach to the railway's evident problems.

The decision to take the railway away from LRT follows top-level lobbying by Olympia & York, the Canadian property group behind the huge Canary Wharf development in Docklands.

Olympia & York is believed to have attributed its difficulties in filling Canary Wharf, which it had planned to turn into London's third commercial centre, in large part to the embarrassingly poor performance of the DLR, at present the development's main transport link.

Mr Newton said this was an exaggeration. "We would claim it is a minor factor," he said.

"The fact is that there is a lot of quality space lying empty in the City and the West End, and the price advantage of Docklands property has been substantially eroded."

However, so low are expectations of the railway that LRT, its owner and operator, has just introduced a bus service to "shadow" the railway routes.

The railway was planned at a time when the government's ambitions for Docklands were comparatively modest and was built on a shoestring budget of £77m.

The government later agreed to pump £3.5bn into improvements to Docklands' transport links, including an £800m upgrade to the railway.

Mr Malcolm Rifkind, the transport secretary, said yesterday that the DLR was a key factor in the successful regeneration of Docklands, and it made sense for the LDDC to make sure that the DLR made its fullest possible contribution.

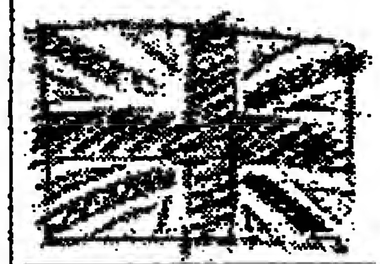
Within the LDDC, the DLR is to be chaired by Sir Peter Levene, deputy chairman of Wasserstein Perella and former chief of defence procurement at the Ministry of Defence.

Mr Roger Freeman, minister for public transport, said last night that the change of ownership was intended to enhance the line's credibility.

"It is a line which ultimately we would like to see in the private sector," he said.

One effect of the decision is that London Regional Transport will become a misnomer. With the planned privatisation of London Buses following the next general election, LRT's only remaining transport responsibility will be for the Underground.

BRITAIN IN BRIEF



Pressure to harmonise

The UK is coming under considerable pressure from the European Commission to harmonise standards in consumer protection, though it would be a "mistake to transfer more power to the centre than is necessary," Sir Timothy Raison, chairman of the Advertising Standards Authority, has said. Sir Timothy drew attention to the imminent flood of trade in goods and services in the run-up to the European Community's single market by the end of 1992.

Army cuts timetable to be delayed

The most hotly contested changes in the army will not take place until 1993 or 1994, the government has said. Plans for reducing the number of Scottish infantry battalions from nine to six and for merging the two other regiments have provoked particularly fierce opposition. The timetable announced by Mr Archie Hamilton, armed forces minister, puts these measures well down the list.

Under plans for cutting army strength by 40,000 to 116,000, the infantry is due to go down from 55 to 38 battalions and the Royal Armoured Corps from 19 regiments to 11.

Wider powers urged for CRE

The Commission for Racial Equality should be given power to inspect the procedures of major UK employers to check for racial disadvantage, barristers and judges have been told. Ms Ushar Prashar, former director of the National Council for Voluntary Organisations, said the 1976 Race Relations Act had not attained its objective. Legislation was needed which was primarily aimed at improving the position of black and ethnic minority communities.

Estate agents' complaints rise

Complaints against estate agents are flowing into the Estate Agencies Ombudsman's office at the rate of nearly 20 a week, Mr David Quayle, the Ombudsman for Corporate Estate Agents, has said. Mr Quayle, who was making his first annual report since the scheme was established, said that he had received 1,236 complaints in the first twelve months of the scheme. Most stemmed from communications breakdowns and misunderstandings between estate agents and their clients, especially from first time buyers.

Lloyds in Switch move

Lloyds argued that Visa was far superior to Switch, an electronic-only debit card service set up in 1988. Lloyds Bank has approached the Switch debit card consortium for preliminary discussions about becoming a member, though it has not made a formal application. This marks a policy shift by Lloyds, which was one of the earliest entrants into the UK debit card market with its Visa debit card.

Scottish freight terminal plan

British Rail is to site its Scottish Channel tunnel freight terminal on an existing rail marshalling yard at Mossend, Lanarkshire, an area hit hard by steel closures in the past few years. This completes BR's network of nine out-of-London rail freight terminals for European freight. BR said the plan by its freight distribution arm and AMEC, the construction company, would develop a 600-acre site handling 400,000 tons of freight a year at a cost of £500m, creating up to 8,000 jobs over 10-15 years.

MP challenges inquiry decision

Mr Winston Churchill, Conservative MP for Davyhulme in Greater Manchester, is to challenge Mr Michael Heseltine, environment secretary, over an inquiry into the widening of a motorway bridge.

Mr Heseltine has ordered a public inquiry to be re-opened because of reluctance by the Department of Transport to push through a compulsory purchase order to enable the bridge to be widened to allow Manchester Ship Canal to build a £200m shopping and leisure centre. Mr Churchill attacked both the transport and environment departments: "It is not the job of government to obstruct development and the creation of thousands of jobs with such preposterous bureaucracy".

LSE members make profit

The UK's securities industry has bounced back in the first six months of this year from devastating losses during 1990, but still on average fell far short of hoped for returns. Members of the London Stock Exchange (LSE) made a combined pre-tax profit of £189m in the first six months, according to the latest Stock Exchange Quarterly. This followed aggregate losses of £208m in the previous six months, and losses for 1990 as a whole of £353m. The rebound in profits resulted from the sharp increase in share turnover this year as the Gulf War brought to an end a stalemate that had blighted stock market trading since the previous summer. Rising share prices also brought a new wave of rights issues.

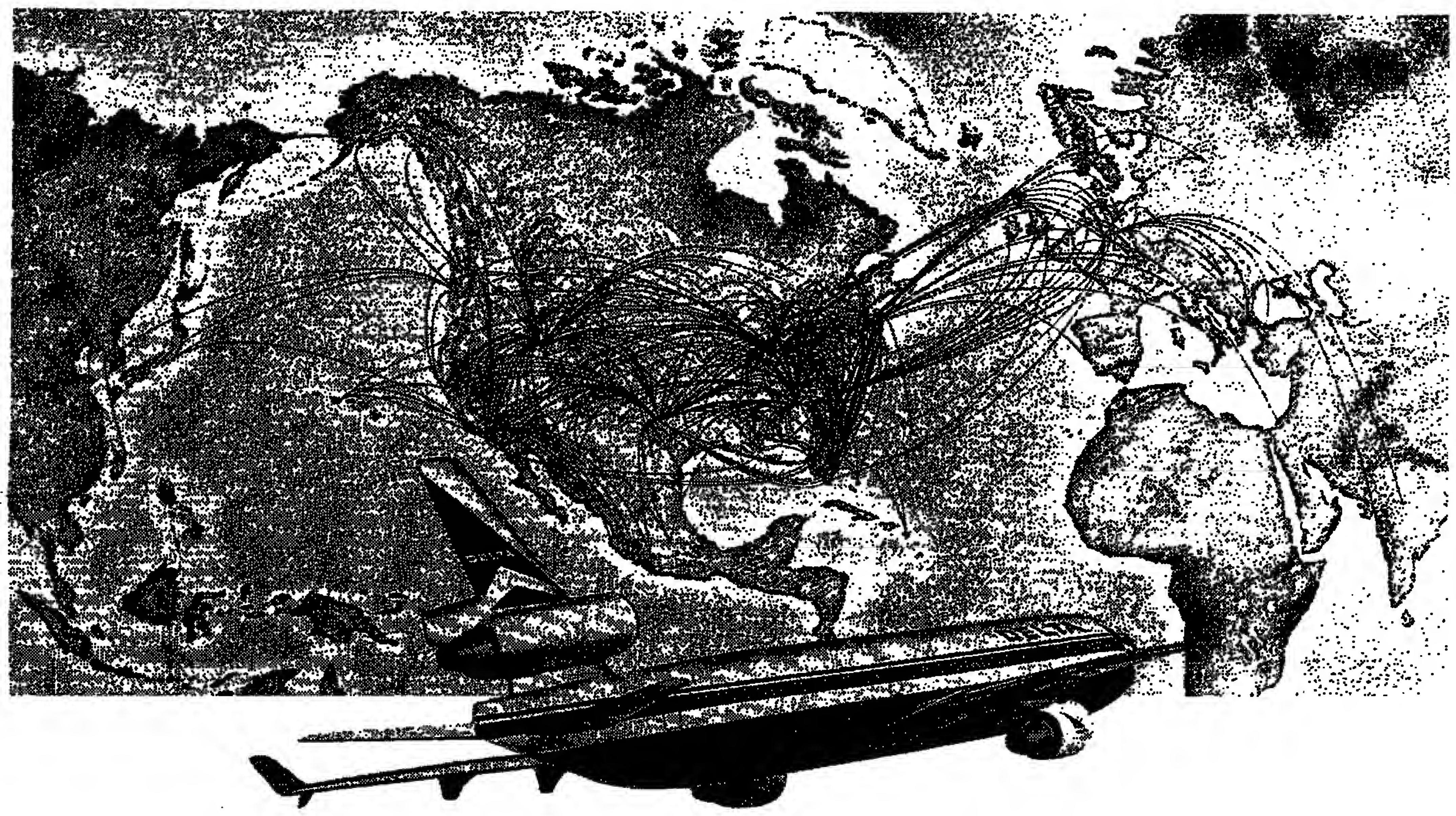
Jacques who?

Britons are largely ignorant of the leading personalities and workings of the EC but see long term advantages of UK membership, according to a survey. Almost three-quarters of the 500 adults interviewed were unable to name a single European Commissioner.

Even Mr Jacques Delors, commission president, was recalled by only 13 per cent. However, 43 per cent thought EC membership would make life better for their families over the next 10 years compared with 13 per cent who expected a deterioration. Even more expected an improvement over 15 years.

Only seven per cent correctly identified the Netherlands as currently holding the EC presidency.

Welcome to the new world of Delta.



From left, Delta Flight Attendant Bonita Caringola, First Officer Timothy Therrell, Captain Larry Bacon and Flight Attendant Stephanie Allen.

Now that Delta Air Lines has begun greatly expanded operations across Europe, the Middle East and Asia, the world has become smaller, and the atmosphere warmer.

With new transatlantic nonstops and a European hub in Frankfurt, Delta now flies from Austria, Belgium, Czechoslovakia, Denmark, England, Finland, France, Germany, Greece, Hungary, India, Ireland, Israel, Italy, the Netherlands, Norway, Poland, Portugal, Romania, the Soviet Union, Sweden, Switzerland and Turkey.

Wherever we fly, Delta is dedicated to bringing travellers the best service in the sky. Service that's more convenient, and gives you more travel choices. Tendered with the special warmth and professionalism the people of Delta are known for.

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UK NEWS

CONSUMER CREDIT

Government hopes for upturn dealt fresh blow

By Peter Marsh, Economics Staff

WEAK levels of consumer borrowing, shown up in official figures published yesterday, have dealt a blow to government hopes of a sustained economic upturn next year.

According to the Central Statistical Office (CSO), consumers made a net repayment of £107m in September on credit agreements with building societies and finance houses, and on bank credit that is part of the Visa or Mastercard systems.

While this is the highest monthly net repayment for this type of credit on record, separate figures on overdrafts and other personal bank loans also underline the reluctance of consumers to take on new debts.

The seasonally-adjusted statistics do little to support government theories that a strong rise in consumer spending next year, helped by an increase in borrowing, will lift Britain from recession.

Although the evidence is largely anecdotal, consumer demand for increased borrowing appears to have been depressed by rising unemployment and high existing debts.

Several private sector economists said the new data raised a question mark over last week's Treasury's forecast that consumer spending, which accounts for some two thirds of gross domestic product, will rise by 2.5 per cent in 1992.

The Treasury has cut back its forecast for economic growth next year to convince the City and opposition politicians that it is not trying to "talk up" an expected recovery. At the same time it has stuck to relatively bullish projections covering consumer spending, exports and manufacturing output. The exercise in compromise enabled the Treasury to present a broadly credible view of the future to financial markets, while enabling ministers to point to a relatively fast upturn in specific parts of the economy.

The Treasury expects the figure to drop 0.75 per cent this year.

Mr John Shepperd, an economist at S.G.Warburg Securities, said the Treasury's projection was a "weak spot", while Mr Michael Saunders of Salomon Brothers said the overborrowing in recent years "has given the economy a hangover".

The CSO's data indicated two successive months – August and September – of a net repayment on its so-called "narrow measure" of outstanding credit. These two months, in which consumers have appeared particularly anxious to pay off credit card debt, are two of only four since monthly narrow-measure records began in 1986 that have shown a net repayment.

In the third quarter of 1991, net extra credit taken on was £54m, the lowest quarterly figure since 1980. In 1990, in contrast, consumers took on an average of about £250m of extra narrow-measure credit a month.

Other CSO figures showed that in the third quarter people repaid £35m on personal bank loans, after a £183m repayment in the second quarter. In September, total new narrow-measure credit agreed to by consumers was £3.9bn, about the same as in August.

Commenting on the statistics, the Treasury pointed to surveys of consumers and industrialists which indicated a rise in business confidence, putting Britain on a recovery path.

It also highlighted revised CSO figures for retail sales volumes in September, which showed a 0.3 per cent increase on August – compared with a previous estimate of no change. Volumes in the third quarter of 1991 are now reported to be 0.7 per cent higher than in the previous three months.

Editorial Comment, Page 22

Annette Howard, a member of the family which owns Castle Howard – the north of England mansion used as the location for the television adaptation of *Brideshead Revisited*, examines a Victorian pram which went on sale yesterday along with a collection of family artefacts. The first session of the sale, held to raise money to maintain works of art on view at the house, raised just over £1m.

Invesco fined by investment regulator

By Norma Cohen, Investments Correspondent

INVESCO MIM, one of the world's largest fund management firms, has been fined by UK regulators for failing to accurately keep track of client funds which led to a £2.7m shortfall in client accounts.

The Investment Management Regulatory Organisation (IMRO) the self-regulatory body for the fund management industry, said that Invesco MIM has been fined £75,000 and ordered to pay the costs of the investigation, believed to be another £80,00 to £90,000. IMRO's investigation found administrative and bookeeping problems which affected roughly £220m in client's PEP accounts, equal to two-thirds of all such accounts managed by the company.

A spokesman for Invesco said there was no suggestion that client funds had been mishandled: it was the unexpected demand for Invesco PEPs in 1989 which swamped the accounting system.

Invesco used far more client money to purchase stock than it should have, leaving client accounts short of cash. Invesco has replaced the £2.7m from its own funds and will recoup it when the unwanted shares are sold. The spokesman said that the regulators had asked the company to appoint a leading City accounting firm to review all customer accounts, a process that is still continuing. Current review focuses on PEP client money and customer assets accounts reconciliation since November 1990.

IMRO said that Invesco MIM had submitted a deliberately misleading "statement of representation" for the first six months of 1989 which assured regulators that administrative rules were being complied with. In fact, Invesco failed to keep adequate records of transactions with its PEP customers, did not properly reconcile client money and customer assets and did not maintain adequate accounting controls.

IMRO said Invesco has "made considerable progress in resolving the problems" but said it is continuing to monitor the company's accounts.

Steep decline in truck sales shows signs of recovery

By Kevin Done, Motor Industry Correspondent

SALES of new commercial vehicle fell heavily in October, but there are indications that the steep decline in the truck market, hitherto the sector hardest hit by recession, has begun to moderate.

UK new commercial vehicle sales in October fell by 27.7 per cent to 14,686 from 20,322 in the corresponding period a year ago according to figures released by the Society of Motor Manufacturers and Traders. Overall new commercial vehicle registrations, a significant barometer of economic activity, show little slackening in the grip of recession.

October was the 25th month in succession that commercial vehicle sales have shown a monthly year-on-year decline.

Truck makers remain very cautious about the sector's prospects in the final two months of the year and in the first half of 1992, but after more than two year's of sharply declining sales, there is a growing belief that the recession in truck demand has begun to bottom out.

Iveco, the UK truck market leader, said yesterday that it expected overall truck sales (above 3.5 tonnes) to total around 32,000 this year compared with 48,545 in 1990 and 69,234 in 1989.

It forecast the beginning of a gradual recovery next year to a total truck market of 35,000-41,000, with great uncertainty remaining about prospects in the first six months of 1992.

In the first ten months new commercial vehicle sales at 183,919 were 29.4 per cent lower than in the corresponding period a year ago. Over the last two years new commercial vehicle sales have fallen by 43.6 per cent from 326,206 in the first ten months of 1989.

The rate of decline in truck sales did show signs of moderating in October, however.

Sales of trucks (above 3.5 tonnes gross vehicle weight) fell by 4.9 per cent in October to 3,080 from 3,240 a year earlier, compared with a fall in the first ten months of the year of 35.3 per cent to 27,705.

Sales of heavy trucks (above 15 tonnes gross vehicle weight) in October were 9.1 per cent lower than a year ago, compared with a fall in the first ten months of 37.7 per cent.

In the last two years UK new truck sales have more than halved with a drop of 54.9 per cent from 61,391 in the first ten months of 1989. Truck makers have also suffered the sharpest fall into recession of the post-war period during that period. Sales have declined to levels not experienced since the 1950s.

Tory critics launch attack on council tax

By Ivor Owen, Parliamentary Correspondent

BACKBENCH TORY critics of the council tax, due to replace the poll tax from April 1993, launched a barrage of protests when the two-day debate on the bill authorising its introduction started in the House of Commons last night.

To enthusiastic encouragement from the opposition benches they repeatedly interrupted Mr Michael Heseltine, environment secretary, to call for changes to benefit areas – such as London and south-east England – where property values are highest.

The new tax will be set according to property values and is designed to pay for local services and amenities.

Critics of the Local Government Finance Bill, which will bring the tax into effect, were led yesterday by Sir Rhodes Boyson, a former local government minister. He complained that the lowest valuation band covering properties worth not more than £40,000 would apply to only 1 per cent of houses in greater London.

He urged Mr Heseltine to adopt proposals from the Conservative-controlled London Boroughs Association as the basis for new valuation bands for the capital.

An emollient response from Mr Heseltine, emphasising the "credit" due to Sir Rhodes for the way the legislation had been framed, failed to stem the flow of interruptions.

Other Tory MPs who suggested local government should be entirely financed through an increase in Value Added Tax joined in the exchanges.

They were unable to extract any hint of a concession from Mr Heseltine, who insisted that the introduction of regional bands for England was not necessary and would only give rise to anomalies.

Mr Patrick Cormack, a Tory MP who refused to support the poll tax, introduced by the Thatcher government, received little encouragement from backbench colleagues when he pressed for a change in the proposed legislation.

He announced that he would seek to introduce an amendment during the committee stage to ease the position of widows and others who had occupied the same property for many years and seen its value rise out of proportion to their growth in incomes.

Mr Heseltine was clearly more comfortable when lashing out at the opposition benches. He won repeated cheers from supporters as he accused Labour of having been unable to devise an effective policy for financing local government.

He alleged that, in the event of a Labour victory at the general election, its "jigsaw" of proposals might well result in the life of the poll tax being prolonged until 1996 or 1997.

Mr Bryan Gould, Labour's environment spokesman, insisted that had the government agreed to co-operate in introducing Labour's "fair rates" proposals the poll tax could be ended by April.

He likened the council tax to "a roof tax crossed with a head tax" which would give the worst of all worlds.

Financial reforms could force cuts in school funds

By Andrew Adonis

CHANGES to the financing of state education in Britain could force councils to impose significant cuts on services for schools which do not opt out of local authority control, it emerged yesterday.

If the government alters it's funding formula for opting out – in which schools take over their own finances – the attraction of the scheme will diminish, with cuts likely in the budgets of existing grant-maintained schools.

This stark alternative is spelt out in a report by Hertfordshire's director of education on the future financing of central support services such as libraries, administration and, special needs teaching.

So far, five of Hertfordshire's 88 secondary schools have opted out. The report estimates that under the current funding formula the entire support services budget for the county's secondary schools would be spent if only half opted out.

Opted-out schools receive a government grant equal to their previous local education authority (LEA) funding. They also receive a share of the authority's central education budget, calculated at 16 per cent of their budget share.

FT LAW REPORTS

Shipowners win duress claim

EVIA LUCK
House of Lords
(Lord Keith of Kinkel, Lord Templeman, Lord Ackner, Lord Goff of Chieveley and Lord Lowry):
November 7 1991

SHIPOWNERS who make payments to a trade union under English law contracts induced by threats of blacking, can avoid the contracts and recover the money in that the threats, though lawful in the foreign country where made, constitute illegitimate economic pressure amounting to duress under the proper law of the contracts, namely English law.

The House of Lords so held when dismissing an appeal by the defendants, the International Transport Workers' Federation (ITF), from a majority Court of Appeal decision (*FT, December 15 1989*) that the plaintiff owners of Evia Luck, Dimskal Shipping Co SA, were entitled to restitution of monies paid by them to the ITF under duress, and to avoid the contracts under which the payments were made.

LORD GOFF said that in February and March 1983 Evia Luck lay at Uddevalla in Sweden. She was manned by a crew which included 20 Filipino nationals.

ITF agents boarded the vessel. They informed the master she would be "blacked" unless the owner entered into ITF employment contracts with the crew. They demanded back pay for the crew at ITF rates, and that the owners should sign a bank performance guarantee for $200,000 and other documents.

As a result of the threat of blacking the owners agreed to pay the sums demanded and to sign the required documents.

They incurred expenditure and losses totalling $140,067.

The greater part of that sum consisted of $103,463 backdated wages. In addition there were payments in respect of ITF entrance fees, ITF membership fees and ITF welfare fund contributions, bank charges for the guarantee, and loss incurred while the vessel was off-hire at Uddevalla.

The owners claimed declarations that they had lawfully avoided all the contracts on the ground of duress. They claimed restitution of payments made to the ITF, as having been paid under duress.

It was agreed between the parties that the payment agreement and the contractual documents were governed by English law as their proper law; and that the questions as to whether they had been avoided for duress, and whether the owners were entitled to restitution of monies paid, fell to be determined according to English law.

Mr Justice Phillips made no declaration in respect of the Filipino employment contracts. With regard to the English law contract he found that the pressure exerted on the owners at Uddevalla, was lawful under Swedish law.

It appeared to have been common ground that under English law it would amount to duress unless legitimised.

The issue related to the identity of the legal system by which the question whether such pressure had been legitimised had to be answered.

The owners submitted that it had to be answered by the proper law of the contract, namely English law, which at the relevant time did not legitimise such action.

The ITF submitted that the relevant system of law was Swedish law, as the law of the country were the pressure was exerted and where such pressure was lawful.

Mr Justice Phillips adopted the ITF's submission. He dismissed the owners' claim.

In the Court of Appeal the majority held that the question must be answered by reference to English law. It allowed the owners' appeal and made the order asked for, in respect of avoidance of the contracts and recovery of the money paid to the ITF.

The ITF now appealed.

The case concerned economic duress.

Economic pressure might be sufficient to amount to duress for the purpose of avoiding a contract, provided it was illegitimate.

The question was whether, in considering whether the pressure should be treated as legitimised, English courts should have regard to Swedish law.

Rule 184 *Dicey & Morris Conflict of Laws 11th ed vol 2* stated that the essential validity of a contract was governed by its proper law.

Rule 184 was subject to two exceptions. The first was that a contract was generally invalid in so far as performance was unlawful in place of performance. The second concerned the primacy of English law policy over any foreign law provision in so far as it might be relevant to validity of a contract.

By English law a contract induced by duress was voidable by the innocent party. One form of duress was illegitimate economic pressure, including the blacking or the threat of blacking of a ship.

There was no reason in principle why, *prima facie*, blacking should not constitute duress for that purpose, wherever it was committed. Its impact on the contract did not depend on the place where the conduct occurred.

It followed *prima facie* that whether economic pressure amounted to duress sufficient to justify avoidance was a matter for the proper law of the contract, wherever that pressure had been exerted.

The question was whether there was any basis in law for rejecting that simple approach.

Mr Burton for the ITF submitted that the court should, subject to overriding public policy, look to the law of the place of duress to test its lawfulness or legitimacy.

No authority supported that submission which, if correct, would require recognition and formulation of a fresh exception to Rule 184 in *Dicey and Morris*.

The ITF relied upon the analogy of tort. Conduct in a foreign country was only actionable as a tort in the UKif actionable in English law and by the law where it occurred. So, it was suggested, by parity of reasoning regard should be paid to Swedish law to decide whether ITF conduct constituted duress rendering an English contract voidable.

The analogy was not compelling. Conduct did not have to be tortious to constitute duress for the purpose of English law.

More fundamentally, however, there was a basic difference between the case of a foreign tort, and a case such as the present.

In the case of a foreign tort, not only had the conduct occurred outside English jurisdiction, but the only fact which brought in English law at all was that the defendant was amenable to the jurisdiction.

In the present case, there was another English connection of great importance. It was that the dispute related to a contract the proper law of which was English law, and the relevant incidents of which were therefore governed by English law.

A cogent reason had to be produced as to why in such a case the English courts should not apply English law in deciding whether the conduct constituted duress capable of rendering the contract voidable. The analogy of tort was not sufficiently apposite or compelling to achieve that result.

The judge was impressed by the argument that a man ought to be able safely to regulate his conduct by complying with the laws of the country in which he found himself.

That might be true so far as criminal law was concerned; but it did not apply to matters which might affect the validity of a contract governed by some other system.

If a person entered into such a contract, he had for most purposes to accept the regime of the proper law of the contract; and if under that regime a particular form of conduct constituted duress, or undue influence, rendering the contract voidable wherever the relevant conduct occurred, he had to accept the consequences of his conduct.

The appeal was dismissed.

Lord Keith, Lord Ackner and Lord Lowry agreed.

LORD TEMPLEMAN dissenting said he would have allowed the appeal.

In the first place the English courts should not concern themselves with industrial action lawfully carried out in the place where that action occurred.

In the second place, as Lord Diplock pointed out in the *Universe Sentinel [1983] 1 AC 366*, there was no difference between tort and restitution.

Monies paid as a result of conduct lawful where committed and irrecoverable in the UK under the law of tort, should not be recoverable in the UK under the law of restitution. The contents of a bottle could not be changed by altering the label.

For the ITF: Michael Burton QC and Paul Lowenstein (Denton Hall Burgin & Warrens).
For the Shipowners: Peter Leaver QC and Steven Gee (Holman Fenwick & Willan).

Rachel Davies
Barrister

uress claim

TECHNOLOGY

Backing the lightweight

Barbara Durr describes why car makers are finding the qualities of aluminium difficult to resist

Aluminium cars, with their advantages of fuel economy, reduced emissions and recyclability, have increasingly become the next logical move in automobile technology. Now the Aluminium Company of America (Alcoa), the world's largest aluminium producer, and Audi, the luxury car subsidiary of Germany's Volkswagen, have taken a step in that direction.

Alcoa has unveiled its plan *to build a first-of-its-kind plant* in Soest, Germany to produce aluminium spaceframes (the load-bearing part of the body shell) and components for *Audi.*

The plant, which will cost $70m (£40m), is expected to begin rolling out components by 1993. The car bodies would *weigh at least 35 per cent* less than traditional steel sheet bodies without reducing the size of the vehicle.

The lighter weight would help increase fuel efficiency, while added stiffness to the frame will enhance ride and handling. The car would also gain higher recycling value.

Although Alcoa and Audi are not the only companies working on aluminium technology for automobiles – others include Honda, Porsche, and Alcan of Canada – they claim to have a two- to five-year lead. This mainly consists of Alcoa's innovations in two areas: production line manufacturing processes and reducing aluminium's brittleness.

Part of the automobile industry's *disinclination to use* greater amounts of aluminium has been cost. The metal is more expensive than steel and suffers from substantial price *volatility. Thus, Alcoa along* with Audi, with which it has been working since 1982, strove to discover new techniques for making cars that would reduce a manufacturer's costs.

The solution is a spaceframe that is composed of fewer than 100 aluminium extrusions and castings and that can be robotically welded. This compares with the conventional car structure that requires spot welding of as many as 300 stamped steel components.

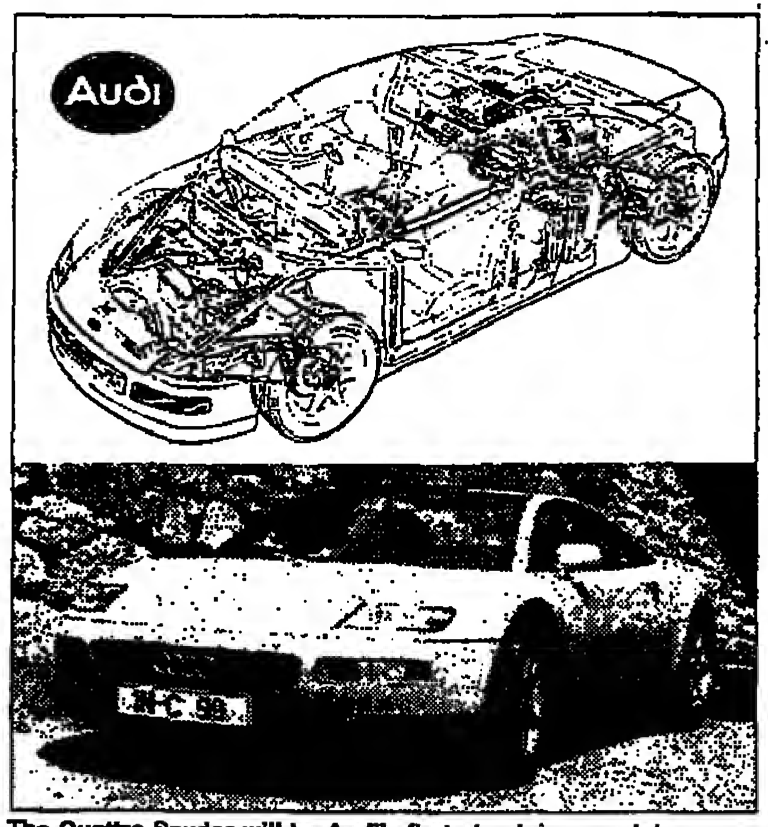
For car makers, the new technology offers several advantages. It reduces tooling expense by as much as 50 per cent, slashes back inventories of parts and speeds the design-to-production time periods.

The process currently is eco*nomic only for runs of up to* 100,000 cars, but Alcoa contends that as more is learned in the next few years, particularly when the plant is up and *running,* ways to achieve economies for larger runs may become clear.

New alloys and casting processes have also been developed to improve the metal's strength and toughness. When conventionally cast, aluminium has had a tendency to shatter when hit hard or dropped. Alcoa has discovered a process that improves the elongation from just 4 per cent, typical of conventional casting, to 20 per cent.

The new technology enhances aluminium's "crushability" – the ability to crumple evenly and predictably – and its shock absorption. "Aluminium has greater energy absorption ability pound for pound than steel," said David Schlendorf, venture manager for Alcoa's aluminium intensive vehicle project.

The Soest plant, 96 km east of Dusseldorf, will employ 180. The technology will be for the exclusive use of Audi for the first few years, but will then be licensed to others by both companies, said Alcoa chairman Paul O'Neill.



The Quattro Spyder will be Audi's first aluminium model

O'Neill feels certain that rising concern with the environment will push the auto industry towards greater use of aluminium. He says aluminium use has already increased from just 50 pounds per car in 1957 to 160 pounds last year. Others predict that aluminium use in cars will triple to about 500 pounds by 2000.

In Europe, where not only emission standards are toughening but legislation on the recyclability of cars is being considered, interest in aluminium use seems higher than at Detroit's big three carmakers.

Detroit's slowness to embrace aluminium stems from several factors. The big three are orientated to large production runs, and so far aluminium processes have not yet solved that problem in economic terms.

Detroit has also focused more on engine and transmis*sion issues – such as fuel* injection and more valves per cylinder, to obtain fuel economy and lower emissions – than on body structure. "Body technology is sort of a step-child," says Schlendorf.

Further, the notion of reducing a car's weight has for some time been tied in Detroit minds *to reducing a car's size. This is* viewed negatively in a market where consumers prefer larger cars.

But now that Alcoa appears to provide a solution to reducing car weight without reducing car size, Detroit may pay more attention. And it may be forced to take notice in any case.

Ten eastern US states have agreed to adopt the stringent emissions standards set by California for 1995 and more federal legislation on fuel economy may be on the way.

Moreover, Detroit may be prodded by the Japanese, who look set to move more quickly on aluminium use.

Money transmission in high gear

Paul Cheeseright on a payments system which links European giros

Fourteen national postal giro systems throughout Europe are combining to set up their own automated payments service, called Telegiro.

It will come on stream next May, following a try-out period linking the giros of Denmark, the Netherlands and Sweden, as three giros a month join the system.

Giros specialise in a high volume of transactions covering relatively small amounts of money. Given the closer integration of European business, there was the danger that if no organised system of payments transmission could be put in place, using the readily available technology, the giros would be engaged in *an endless paperchase.*

"We felt that if we wanted to increase pan-European payments, it meant more volume of paper and more staff. By *automating we can bring in* large volumes with marginal cost increases," said Noel Butler, head of the UK Girobank's international division.

This points up the competitive element in Telegiro. The 14 giro systems are gearing up to attract money transmission business away from clearing banks which have, in the form of the Society for Worldwide Interbank Financial Telecommunications – Swift – their own transmission system. Telegiro is intended to do for the giros what Swift does for clearers. Not all giros are members of Swift.

Telegiro is the child of the informal European Post/Giro *Directors Group, which was* set up two and a half years ago to examine ways of working together. The approach has been to link the giros, *rather than to unify them.*

The technicalities of the new system, its installation and its management have been placed in the hands of Digital Equipment Corporation.

The control centre of the system will be near Nice and its focal point will be a Digital Vax 3100 computer. Transmissions will be on the Infonet international data network, but Telegiro will be a closed user group for security reasons.

Each of the giros has its own internal computer systems and they embrace a wide variety of makes – IBM, Nixdorf, Siemens and so on. What Digital has to do is to install at each *giro a Telegiro interface com*puter and write the software to link the individual host computers with the Vax 3100. "The giros get a turnkey sys*tem within Infonet," said* Michael Steffens, Digital's account manager for Telegiro.

Telegiro thus automates the middle stage of a three-stage money transmission journey. It replaces a mail transmission with an electronic transmission. What happens at the first stage, when the transaction to send money starts, and what happens at the third stage, when the recipient receives the money, depends on the internal systems of each giro.

In the case of Girobank in *the UK, the advent of Telegiro* marks a further step away from the manual processing of transactions. According to Girobank, a typical overseas *money transmission today,* using the post, can take seven days. A customer in the UK makes known his need to Girobank, the transfer is sent off *by post to the destination* country, processed at the local giro and sent on again by post.

The new system will take about 48 hours. "What we will do in Telegiro – we'll tell the customer what it costs to make the payment, how long it takes and any charges made on the beneficiary. Currently you don't get that – you know your own fee, but the timing is uncertain," said Butler.

Many transmissions will be made overnight, country to country, via the Vax 3110. Telegiro, explained *Steffens,* will transmit batches of transactions. "It will distinguish between what is urgent and what is not."

But message formats in Telegiro will be based on those used by Swift: they are the accepted international standard. The system organised by *Digital will permit a sending* giro to know the precise state of a transaction at any given time. "If Denmark sends a transaction to the UK, it will get an acknowledgement," Steffens noted. Internal bookkeeping can thus be done at the start and the completion of a transaction.

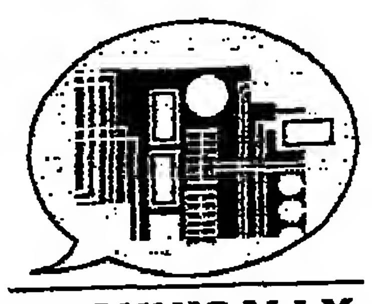
To what extent the service will be used is unclear until Telegiro has set its transmission charges and then established its place in the market. There is, however, an immediate and potential market among the 40m personal and business customers throughout Europe with giro accounts. Girobank believes that Telegiro could be handling 6m transactions in 1993, the first full year of operation.

Money transmissions may be only the first stage of the Telegiro system. If it works there is the possibility for Dig*ital to change the software* enabling giros to automate other mutual paper flows. The Telegiro interface computers can easily be upgraded.

With their activities based nationally, the giros are in the comfortable situation of offering complementary rather than competitive services.

Fair weather for everyone

By Clive Cookson



TECHNICALLY SPEAKING

AS A weather-mad schoolboy in the 1960s I had a moment of joy every month when a brown envelope arrived from the Meteorological Office, containing the forecast for the next 30 days. So I was heartbroken when the Met Office stopped publishing long-range forecasts *in the early 1970s,* after public complaints that they were not accurate enough.

What consoled me was the promise that the Met Office *would* continue research into long-range forecasting and resume publication when the accuracy had improved.

Research has made great progress since then. The 30-day forecasts in the 1960s were based on matching current weather patterns to years in the past when conditions were similar, on the grounds that meteorological history repeats itself. Today that technique is supplemented by the Met Office supercomputer. Although the computer model cannot predict the weather on any particular day more than about two weeks ahead, it can show more general patterns a month into the future.

The Met Office is now selling monthly prospects to corporate customers in the energy, retailing and water industries. Companies are happy to pay several thousand pounds a year for predictions that sometimes go wrong but, taken over a long period, give considerably better results than chance.

Monthly forecasts will be launched next year as a fully commercial service. But the Met Office has no plans to make them available to the public or even to sell them cheaply to small businesses and farmers who could benefit.

The official reason for not publishing monthly forecasts, according to *Bernard Herdan,* Met Office commercial director, is that "we don't think they are sufficiently accurate yet to be used by members of *the public, though they are* used by professional customers who realise that they are considerably better than nothing".

As a member of the public, I *find that attitude condescend*ing. It is true that people need educating about the strengths and weaknesses of long-range forecasting, but surely public education should be one of the Met Office's responsibilities.

From conversations with Met Office staff, I gather that another reason for not publishing monthly forecasts is that this would reduce the revenues from selling them.

The Met Office, like other "executive agencies", is under strong pressure from the government to act more like a private business. Most of its new commercial services are welcome developments which meet the needs of many customers. A good example is the dial-up fax service, launched this week, which enables private pilots with a fax machine to receive the latest charts and forecasts, for a charge of up to 48p per minute.

But it is unfair for the Met Office to use public funds to develop a basic service and then price it out of the reach of individuals and small businesses. For example, corner shops would benefit as much as supermarket chains from monthly forecasts that would help them plan their ice cream stocks during the summer.

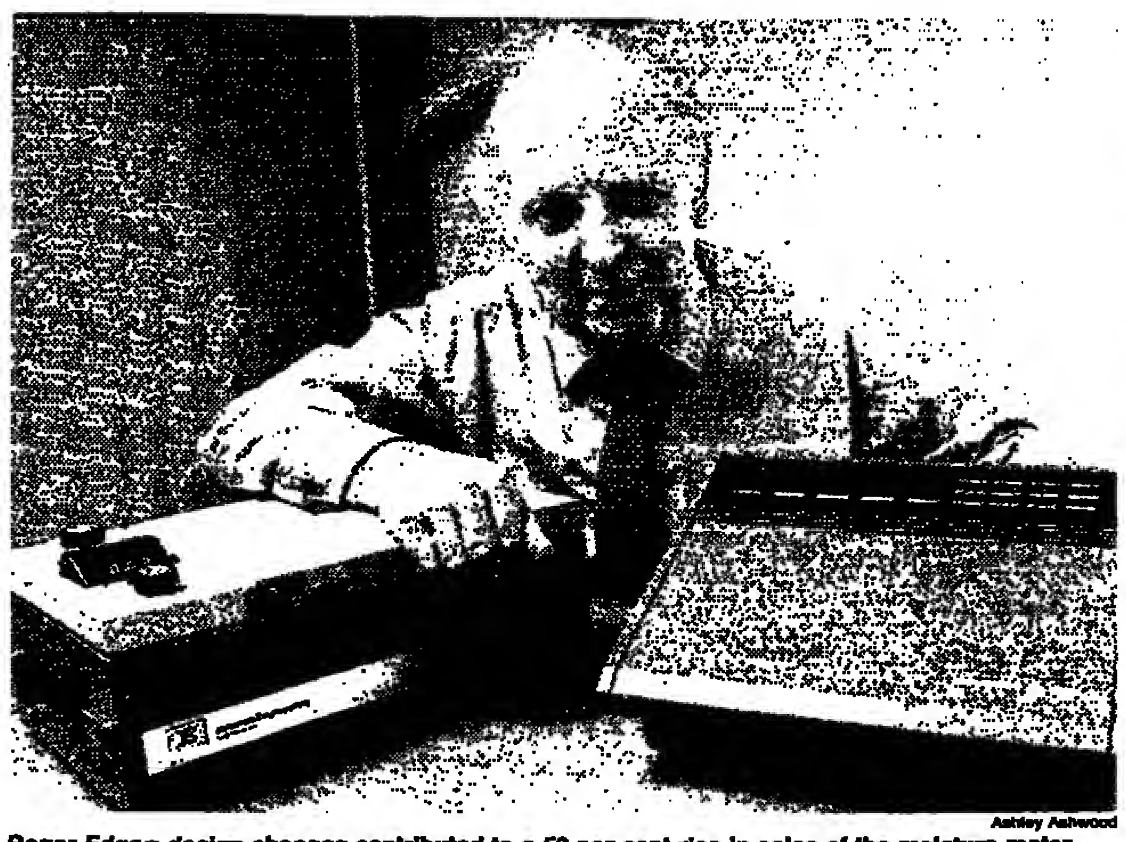
Professor Julian Hunt, who succeeds *Sir John Houghton* as chief executive at the end of the year, will have to make sure that the Met Office does not lose sight of its public service obligations in its enthusiasm for commercialisation.

Hunt's background as a Cambridge University physicist and former leader of the *Labour group on Cambridge* City Council suggests that his attitudes are not Thatcherite. He must ensure that the Met Office, the world's best *weather service,* passes its basic forecasts including monthly prospects to everyone who could benefit, from supermarkets to schoolchildren.

MANAGEMENT: The Growing Business

The product's face is the company's fortune

Charles Batchelor explains how design can make all the difference between success and failure



Ashley Ashwood

Roger Edgar: design changes contributed to a 50 per cent rise in sales of the moisture meter

Sirius Analytical Instruments, a small East Sussex supplier of laboratory equipment, has spent the past two years developing the first product of its own. The Sirius team felt confident that its invention – which automates an otherwise laborious process for testing the suitability of compounds for use in new drugs – would do the job. But how would it put all the bits together into a workmanlike and attractive piece of equipment?

"As a scientist you would buy the bits and spread them out on your desk," says John Comer, technical director. "But it would look a bit of a rats' nest. We knew if we wanted to sell an instrument that it would have to look good on the laboratory bench."

With the help of the government's Enterprise Initiative, which meets half of the costs of consultancy in fields such as design and marketing, Sirius called in London-based Indes Design Consultants.

Sirius and the designers had to assemble the 'rats' nest' of components into a piece of equipment which met four criteria. The components had to work together; they had to be fitted into as small a space as possible; the resulting "box" had to look good and it had to be easy to use. An early wooden model was four feet wide, too large for the average laboratory bench. By refining the design, it was reduced to just 18 inches. "It was like a puzzle," says Comer. "It is amazing that we managed to pack it all in."

Sirius' commitment to design is, unfortunately, still rare among UK manufacturers. "We do not make products which are attractive to world markets," says Colin Mynott, industry director at the Design Council. "Too many companies think design is something which applies to wallpaper. They associate it with men in bow ties."

Manufacturing companies, in particular, regard design as a question of aesthetics and do not realise its relevance to improving the performance of their products or reducing costs. "Mention productivity improvements and companies think of buying a new machine tool or reaching a new deal with their workforce, not of design," says Mynott.

A Design Council survey* of more than 220 manufacturing companies which undertook product, engineering or graphic design projects under the Enterprise Initiative showed that 48 per cent of the projects which went ahead recovered their total costs, including tooling, within a year of market launch.

About 90 per cent of implemented projects made a profit with the average payback time being 15 months from product launch. Where comparisons with a previous product were possible, sales increased by an average of 41 per cent, the survey showed.

The average cost of successful projects was £60,000 while those that failed – most commonly because the designer had not been adequately briefed – cost only £8,300 because most were halted before production started.

To improve industry's understanding of design the Design Council runs regular seminars around the country.

The Department of Trade and Industry is also keen to promote design as part of its Managing into the '90s initiative, which uses seminars and company visits to promote best practice. In addition, the British Standards Institution introduced a standard for the management of product design, BS7000†, two years ago.

Infrared Engineering, a Maldon, Essex-based manufacturer of industrial measuring instruments and control systems, was cautious about the use of design until it decided to revamp a piece of equipment used to measure the moisture content of paper and board. The original equipment had been practically unchanged for more than 15 years. It was difficult to build and to service; its appearance was dated; and some of the original components were becoming difficult to obtain.

"We were nervous about what we could do with it," says Roger Edgar, engineering director of the company, which has sales of £7.5m and a workforce of 120. "Our initial thought was to make minimal changes to bring it slightly up to date." With these limited objectives Infrared called in a design consultancy Design Technology, through the Enterprise Initiative.

"They challenged every assumption we had made about the product. We assumed it needed a handle but they said it could be incorporated into the overall shape. They questioned our ideas on the position of the controls and the colour. They urged us to be more adventurous."

The resulting piece of equipment, the Moistrex MX5000, was easier to assemble and to test as well as being more reliable. The top surface of the casing was sloped to make the controls easier to use and the displays easier to read. Manufacturing costs fell 20-25 per cent while the weight was reduced from eight to 5½ kilos.

Advances in microprocessor technology were incorporated into the new design and a bar code reader was also added. These design changes contributed to a 50 per cent increase in sales in a previously static market, says Edgar.

Before the redesign of the moisture meter, Infrared had used a freelance consultant for corporate image work and some product design. But it has since stepped up its commitment to design by retaining the services of Design Technology as well.

Nomix-Chipman, a Bristol-based manufacturer of herbicide sprays, recruited a senior designer from the consultancy which had helped it with design work. Nomix is now adding two design engineers to its payroll and installing a computer-aided design system.

Nomix currently has two sprays or applicators, one hand-held, the other involving a back-pack containing the herbicide, which are the products of an intensive design initiative. The spray design, using what is known as controlled droplet technology, has allowed Nomix to develop equipment which is both light and which avoids the need for the operator to mix potentially dangerous chemicals.

Nomix's method is to design its products "from the outside in," explains Eren Ali, now senior designer at Nomix. The sprays are designed to be comfortable to use and to look attractive – exterior appearance is important to convey the idea of durability and good performance – and the interior workings are then fitted in.

This is the reverse of the traditional British approach of tacking on design at the last minute to improve the looks of a product which has already been largely put together.

Ali believes that Nomix now has the right approach to design but the eight-year-old company, with £9m of sales and a workforce of 120 people, has undergone a rapid evolution of its design ideas. On one occasion Nomix had turned to an injection moulding company to design a spray. But, lacking sophisticated design skills, this company produced a spray which looked as though it was made from folded metal – all sharp corners and with none of the curves and styling possible with plastics.

The new, more professional approach has meant that as well as a raft of design awards Nomix can now claim almost total dominance of its sector of the applicator market.

**Profits by Design. Four pages. Free. The Design Council. Tel. 071 839 8000. †From BSI Sales, Linford Wood, Milton Keynes, MK14 6LE. £30.60.*

A previous article on corporate image and packaging design appeared on October 29.

A relative resilience despite the recession

By Charles Batchelor

Small businesses are not only an important source of new jobs – they are more likely to maintain employment levels during a downturn.

New light on the economic contribution of small businesses emerges from a survey* of job trends carried out by Newcastle University and the Employment Department.

The survey found that:

- Firms employing fewer than 10 people created more than 500,000 jobs between 1987-89, roughly half the total net growth in employment, in spite of the fact that, at the start of this period, they accounted for less than one fifth of jobs.
- The net numbers of jobs created were proportionately greatest among firms employing fewer than five people. However, job creation fell sharply in the 10-19 employee size. This may reflect the fact that this is a particularly difficult stage of development.

A breakdown of the job creation numbers emphasised the need to provide more support to established small businesses.

The figures showed that 1.8m new jobs were created in 1987-89 as a result of existing firms expanding while 800,000 resulted from start-ups. However 1m jobs were lost by firms closing down and 500,000 by firms contracting.

If these figures confirmed widely accepted assumptions about small businesses, some of the survey's other findings shed new light on their job creation potential.

The prevailing view of small firms has been that only a very small number create significant numbers of jobs. This has had important implications for small firms policy since it put a premium on "picking winners".

But this study showed that overall job growth was due to increases in employment numbers among a large number of firms and was not concentrated in a few cases of very rapid expansion.

Net job creation in firms which employed between one and four people in 1987 (and which survived to 1989) was 262,000.

More than half of these jobs were accounted for by the 48,000 firms which moved from the one-to-four to the five-to-nine size band while just 12,000 jobs, or less than 5 per cent, were created by the 600 or so firms which expanded beyond 20 people.

A second new aspect of small firms to emerge from the survey was their relative resilience in the face of recession.

They benefit when large companies withdraw from marginal activities leaving open market niches or when they subcontract peripheral activities such as cleaning and catering. Meanwhile people made redundant by large companies may set up in business on their own.

The latest Employment Department study of VAT statistics, published at the same time as the jobs survey, showed that while insolvencies rose 50 per cent between 1989-90 the number of companies which dropped off the VAT register was an unchanged 11 per cent of VAT registrations. Most businesses which cease trading do not undergo formal insolvency proceedings so recent insolvency figures appear to have overstated failure rates.

**Job Creation 1987-89: The Contributions of Small and Large Firms. Published in Employment Gazette, November 1991.*

In brief...

■ The tourist industry has grown rapidly in recent years and provides many openings for the smaller business. A series of four guides* from the English Tourist Board and Barclays Bank provides advice for the individual starting up.

The titles are Starting a Bed and Breakfast Business, Starting a Caravan Business, Starting a Self-Catering Business and Funding a Tourism Business.

Location is an important consideration, says the volume on self-catering. While the new venture will want to avoid too much local competition it must beware of choosing a spot without an adequate range of nearby tourism facilities. And while visitors may value their privacy, they will not necessarily want their holiday cottage to be at the end of a narrow rutted lane.

Intriguingly the higher the tariffs charged, the higher the occupancy figures, the guide points out. Cottages, chalets, cabins and lodges achieve higher occupancy figures than bungalows, flats and houses.

**From the English Tourist Board, Department D, 24 Grosvenor Gardens, London SW1W 0ET. £10 each or £30 for all four.*

■ *Business is booming for the* debt-collectors. October was a record month in terms of the amounts of debt which Dun & Bradstreet, a large debt collecting and credit rating company, was asked to collect by businesses in England and Wales. Debts registered for collection were three times the level of October 1990.

■ Plans for a £20m development capital fund to make investments in unquoted companies in Portugal have been announced by Riggs A P Bank, a London-based merchant bank.

The Anglo-Portuguese Fund expects its minimum investments size to be £600,000 and the average size £1.4m. It hopes to give investors an annual return of at least 30 per cent compound. The fund, a UK limited partnership, will be managed by Great Winchester Capital Fund Managers advised by SFIR Gestao, a Portuguese development capital group.

■ Businesses looking for small commercial premises should find lower rents and a greater choice of properties over the next three months, according to a nationwide survey of property values by National Westminster Bank.

However many small firms are unable to move to cheaper accommodation because they cannot find another business to take over their existing lease, the survey showed.

BUSINESS FOR SALE

Republic of Poland - Minister of Privatisation

POLMO Praszka S.A. - Invitation to Negotiate

As part of its privatisation programme, the Minister of Privatisation hereby issues an invitation to negotiate, in accordance with the provisions of Clause 23 of the Law on the privatisation of State Enterprises of July 1990 (the "Privatisation Act") to suitably qualified parties interested in acquiring not less than 10% and up to 80% of the shares of POLMO Praszka S.A. ("Praszka").

Employees of Praszka will be offered up to 20% of the shares in the company on preferential terms, in accordance with the Privatisation Act.

Praszka, which is based in the town of Praszka, manufactures brake systems for trucks, trailers and tractors. The company also makes water and oil pumps, aluminium alloy castings and vehicle suspension springs.

Interested parties will be expected to have relevant experience in the motor vehicle components industry and to demonstrate their commitment to the continued development of Praszka's business.

A Descriptive Memorandum is available, subject to signature of a confidentiality agreement, and may be obtained from Barclays de Zoete Wedd Limited at the addresses given below.

Any offer made pursuant to this invitation must be received by Barclays de Zoete Wedd Limited by 5pm London time on 16 December 1991. The Minister of Privatisation reserves the right to extend the date of this invitation to negotiate beyond 16 December, but shall be under no obligation to consider offers received after that date. The Minister of Privatisation also reserves the right to revoke this invitation and not to enter into any negotiations, without giving any reason therefor. The Minister of Privatisation and Barclays de Zoete Wedd Limited further expressly reserve the right to proceed to negotiation of the purchase contract before that date, on the basis of a suitable offer submitted in response to this invitation.

All enquiries concerning this invitation to negotiate and any offers should be addressed to:

Barclays de Zoete Wedd Limited
c/o Barclays Bank Group Representative Office
ul. Chmielna 8,
00-950 Warsaw
Poland
Attention: George Storozynski (Tel + 22 276 416)

Bids may alternatively be lodged with:

Barclays de Zoete Wedd Limited
Ebbgate House
2 Swan Lane
London EC4R 3TS

Attention: David Clark (Tel + 71 956 3460)

Issued by Barclays de Zoete Wedd Limited, a member of SFA

Touche Ross

T. J. Rose Limited
(In Administrative Receivership)

The Joint Administrative Receivers offer for sale as a going concern the business and assets of T. J. Rose Limited.

- ☐ Specialist pressworkers to many trades having their own skilled toolroom and diesinking departments.
- ☐ Freehold site in the Jewellery Quarter in Birmingham.
- ☐ Annual turnover in excess of £550,000.
- ☐ Skilled workforce of 20.

For further information please contact A.P. Peters or R.H. Brown at the address below.

Newater House, 11 Newhall Street, Birmingham B3 3NY.
Tel: 021 631 2288. Fax: 021 236 1513.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

INVESTMENT OPPORTUNITIES IN SLOVENIA

The Development Fund and the Agency for privatisation are pleased to offer for sale

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Price Waterhouse's International Privatization Group is serving as privatisation advisor for this transaction.

Contact Rajapakse at the Development Fund

Phone : +38-61-349-460
Fax: +38-61-346-660

Price Waterhouse
International Privatisation Group

The Development Fund of the Republic of Slovenia
Agency for Privatization of the Republic of Slovenia

The Mansion House
Grim's Dyke, Harrow Weald, Middx

Peter Copp and Ray Hocking of Stoy Hayward, The Joint Administrative Receivers, offer for sale as a going concern the business and assets of the above hotel located near the M1 and M25.

- ◆ Renowned Country House Hotel standing in 10 acres, former home of W S Gilbert
- ◆ 46 ensuite bedrooms
- ◆ Magnificent 95 seat Music Room Restaurant, Function Suites and Syndicate Rooms
- ◆ Substantial staff accommodation
- ◆ Long Leasehold interest

Best and final offers in excess of £2 million to be submitted by 2 December 1991.
Further details may be obtained from the sole agents D Mayes or R Barlow, Messrs Druce Hotels & Leisure International, 151B Park Road, London NW8 7HX.
Tel: 071-722 4454, Fax: 071-586 9534.

STOY HAYWARD Horwath

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The Joint Administrative Receivers offer for sale the business and assets of WFS Displays Limited as a going concern.

Principal features include:

- Leasehold premises, Leicester.
- Specialist machinery.
- Furniture and fittings.
- Stock and work-in-progress.
- Benefit of on-going contracts.
- Turnover estimated at £900,000 per annum.

For further information contact the Joint Administrative Receiver, Myles Halley, KPMG Peat Marwick, Peat House, 1 Waterloo Way, Leicester LE1 6LP. Tel: (0533) 471122. Fax: 0533 547626.

KPMG Corporate Recovery

Specialised Bandage Manufacturers
Leicester

The Joint Administrative Receivers offer for sale the business and assets of Texlastic Limited as a going concern.

The principal features include:

- Texagrip brand name.
- Turnover £600,000 per annum.
- Leasehold premises 7,000 sq. ft.
- Specialised circular rib knitting plant.
- Export customer base.
- Range of sportswear support products.

For further information contact the Joint Administrative Receiver, Myles Halley, KPMG Peat Marwick, Peat House, 1 Waterloo Way, Leicester LE1 6LP. Tel: (0533) 471122. Fax: 0533 547626.

KPMG Corporate Recovery

Property Development Opportunity

The Joint LPA Receivers offer for sale the following site:

◆ **Springfield Road, Camberley, Surrey**

A development of 7 executive houses on a site off Springfield Road. The unique site backs onto Camberley Golf Course and is in an exclusive residential area. The houses are in various stages of construction from foundation level to just below eaves.

For further details please contact the Joint Receiver P R Copp, FCA, FCCA or C J Grove, ACA (Ref: CJG) at Stoy Hayward, 8 Baker Street, London W1M 1DA.
Tel: 071-486 5888 Fax: 071-935 3944.

STOY HAYWARD Horwath

Accountants and Business Advisers A member of Horwath International

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Glass Reinforced Polyester Manufacturers

The Joint Administrative Receivers offer for sale the business and assets of Polymath Shopfitting Supplies Limited, manufacturers of products for the building and shopfitting industries.

- *Wide product range includes shop facias, architectural mouldings, point of sale and display equipment, heraldic work and decorative signs*
- *Located between Leicester and Loughborough with easy access to M1 motorway*
- *Turnover exceeds £600,000 per annum*
- *Experienced workforce*
- *Freehold factory available*

For further details please contact G C S Baker or T Frid, Ernst & Young, Provincial House, 37 New Walk, Leicester LE1 6TU.
Telephone: 0533 549818. Fax: 0533 551357.

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S/177	Midlands	General Commercial	£1.25
S/184	North West England	General/Colour	£1.7
S/187	London	Colour/Sheet	£5.0
S/192	Scotland	Repro	£0.8
S/193	London	Commercial/General	£0.6
S/194	London	Commercial/General	£0.3
S/197	Thames Valley	Sheet Fed Colour	£3.0
S/201	Midlands	Web/Sheet	£9.0
S/202	North England	Business Forms	£4.5

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Tel: (0942) 41172 Fax: (0942) 824794

Wiseton Hall Estates Limited in Administration, Joint Administration Messrs. M.J. Moore & E. Klempka of Cork Gully, Albion Court, 5 Albion Place, Leeds, LS1 6JP

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For further details please contact Rod Sutton or Lee Manning, Buchler Phillips & Co, 84 Grosvenor St, London W1X 9DF.
Telephone 071-493 2550.
Facsimile 071-629 9444.

BUCHLER PHILLIPS & CO.

Milurn Engineering Company Ltd
(In Receivership)
Sturminster Newton, Dorset

Manufacturers of binding machines, assets comprise:

- 7,000 sq. ft. freehold property
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For further details contact the Joint Administrative Receiver:
Peter Hall, Grant Thornton,
31 Carlton Crescent,
Southampton SO1 2EW.
Tel: 0703 221231.
Fax: 0703 330443.

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(excluding Technicare International Limited)

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Turriff Construction
- Major building contractor based in Warwick, Salford and Durham.
- Turnover £80m.
- 352 employees.
- Order book £36m – excellent client base.
- Range of contract values £120k-£13m.

Moffat Whittall
- Birmingham based contractor in refurbishment and small works.
- Turnover £11m.
- 70 employees.
- Order book £3m.
- Contract values up to £1.25m.

Moffat Joiners
- High quality specialised joinery business based in Birmingham.
- Turnover £625k.
- 12 employees.

PLANT DIVISION

Neagron Plant
- Hire, sale, testing and repair of crawler cranes.
- Based in Barking, Essex.
- Fleet includes cranes, grabs, skips and trench sheets.
- Turnover £5m.
- 66 employees.
- Sole UK distributor for Sumitomo Cranes.

Abelson Plant
- Plant hire company operating from Gateshead, Stroud, Wolvey and Barking.
- Fleet of 170 machines including Volvo dump trucks, excavators, etc.
- Customers based in materials handling, extraction and construction industries.
- Turnover £4.8m.
- 42 employees.

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- Turnover £4.7m.
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For further information please contact: David Lovett or Ian Best, Arthur Andersen & Co. 1 Victoria Square, Birmingham B1 1BD
Tel: 021-233 2101 / 0926-495 327
Fax: 021-643 7647 / 021-233 2954 / 0926-497 315

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EDWARDS OF TAMWORTH LIMITED
(In Administrative Receivership)

The Joint Administrative Receivers, H C Brunt and S P J Wadsted, offer for sale the business and assets of the above company which is based near Tamworth, South Staffordshire.

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For further information please contact H C Brunt or I J Gould of:-

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* Substantial freehold property in Burnley, Lancashire.
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* Many blue-chip customers.

ABBA LABELS LTD
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* Located within the premises in Burnley.
* Multi-colour combination printing, front and reverse printing.

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* Leasehold property in Salford.
* Screen printing specialist, multi-colour, half-tone and single line, long and short run production.

For further information please contact J J Gleave or A C O'Keefe
Arthur Andersen & Co, Bank House, 9 Charlotte Street, Manchester M1 4EU.
Tel: 061-200 0302. Fax: 061-200 0343.

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LEGAL NOTICES

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NOTICE IS HEREBY GIVEN, pursuant to Section 48 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above named company will be held at the Grand Hotel, Granby Street, Leicester on 22 November 1991 at 10.30 am, for the purposes of having laid before it the report prepared by the Administrative Receivers in accordance with the said Section and, if thought fit, appoint a Committee.

Creditors whose claims are wholly secured are not entitled to attend or vote at the meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deduction the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently tot he company as a security held by him (unless the other person is subject to a bankruptcy order or in liquidation).

creditors wishing to vote at the meeting must lodge their written statement of claim with me at Cork Gully, Abacus House, 32 Friar Lane, Leicester LE1 5RA no later than noon on 21 November 1991. Forms of Proxy are enclosed which, if intended to be used, must be lodged with me by that time.

DATED this 7th day of November 1991

L ROBERT BAILEY
Joint Administrative Receiver

NOEL PENNY TURBINES

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Nature of business: Research Design manufacturing Development of Aerospace Gas Turbine Engines
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ARTS

A many-layered epic: scene from Robert Lepage's "The Dragons' Trilogy"

The Dragons' Trilogy

RIVERSIDE STUDIOS

There are many layers of the mind, and a successful theatre work occupies our attention on several of these layers at once. Often we are not aware of this; and that is the object of the old-fashioned well-made play. Sometimes, however, a theatrical event is so overtly many-layered that we can have no single, simple response. Robert Lepage's epic *The Dragons' Trilogy*, which is playing at the Riverside until November 24 (and then for a week at the Tramway in Glasgow) is such a piece.

Some facts. Robert Lepage is the star Québécois director of *Tectonic Plates*, seen at the National and Tramway last year. *The Dragons' Trilogy* began life in 1985; an earlier, shorter version visited Britain in 1987. This complete version, now on its final European tour, has collected numerous awards worldwide. It can be seen *en bloc* at weekends (six hours, three intervals) or in two parts on alternate nights mid-week.

With marvellous scope, it traces the threads of two Québécois characters, Jeanne and Francoise, their families and connections over three generations, over the continent from Quebec, via Toronto, to Vancouver, from 1910 to more or less the present day. But its underlying theme is the opposite poles of cultural imperialism and multiculturalism. The story of these particular French Québécois connects with the stories of Chinese and Japanese immigrants. The dragons of Mah Jong are among the evening's recurrent symbols.

The Dragons' Trilogy deftly veers between scenes in French, English and (seldom) Chinese, sometimes using simultaneous translation, often not. More important, it keeps moving beyond language into poetic mime or ritual. But Lepage provides so many memorable images, so many potent ironies and ambiguities, with the several strands of his overlapping stories that it is some time before we realise that there is a real story here, and that it matters. In fact the story becomes the evening's weakest component. A kind of sentimentality begins to collect under its surface.

The great talent of Lepage and his cast is never in doubt. I was astonished at the end to realise that I had been watching only eight players all evening. And the poetry and economy with which Lepage employs a few props kept delighting me. In one scene, an umbrella and a few coins become a roulette wheel, then a bank, then a balloon. Brief scenes that at first seem irrelevant later recur and show their place in the evening's mosaic. The action takes place on and around a huge rectangle of sand. The way that lighting plucks out various areas from the surrounding obscurity is always beautiful.

All that is on one level, and in terms of staging Lepage and this Théâtre Repère keep the mind always occupied and refreshed. On another level, *The Dragons' Trilogy* is too slight for its epic scale. For all the compassion with which it charts its tale, it doesn't take us into its characters' lives with much intensity. Lepage has been compared with both Peter Brook and Pina Bausch, and *The Dragons' Trilogy* shows you why. I think he is a more elaborate craftsman than either, but he is also less radical and – more important – his images have less resonance.

When I compare this trilogy to another trans-historical theatrical epic, the very different and more conventional *Show Boat*, I see at once that Jerome Kern's work is both more intimately affecting and more powerful in its historical vision. I am glad to have seen this complete account of *The Dragons' Trilogy*, but it is not the category-breaking masterwork that I had been led to hope for.

Alastair Macaulay

Teatr Cricot 2's Kantor retrospective

DESINGEL, ANTWERP

Few performances demonstrate the gap between 20th century British and central European theatre better than those of Teatr Cricot 2's Kantor retrospective, on a European tour which I caught at Antwerp.

The great Polish director Tadeusz Kantor died last December in Cracow, just hours after the dress rehearsal for what he called his "final spectacle", *Today is My Birthday*. It played in Antwerp with a Kantor classic from the 1970s, *Dead Class* – intended to be performed live but, after the New York revival flopped without the wry, squinting observations and on-stage direction of the avant-garde maestro himself, it was given here in Andrej Wajda's film of the original version.

These two pieces, separated by 20 years, share the obsessions which shape all Kantor's work – mass violence, historical forces bearing down on the powerless individual, memory and imagination versus terrorising ideology – but their conjunction here trumpets his ability to find fresh images and dramatic modes to express them. In *Dead Class*, wax-faced ghosts return as adult-schoolchildren to their desks. Each carries a stiff, wan child effigy, memory of their younger selves, and accoutrements like bicycles and satchels; all rise, fall and pathetically obey their teacher of old, chanting false history lessons as historical reality – such as a bullying Habsburg officer – bursts into the classroom.

Their endless repetitions, each mistake in life doomed to be reenacted after death, each persecution suffered again, form a stylised routine that crosses the macabre with pantomime and puppets. More eerily remote on film than in the flesh, and lacking the life-affirming energy of Kantor on stage, it offers a deeply pessimistic message.

By contrast, *Today is My Birthday*, also structured out of ritual dance and mime, is a warm, mellow piece, its recollections and repetitions a homage to continuity and the power of memory. Figures and actions from Kantor's past, remembered on his birthday, are fixed like photo stills in three huge empty picture frames. The picture-frame set, "the poor chamber of the imagination", is an individual refuge which absorbs external horrors. The Water-carrier from Wielopole, Kantor's birthplace, whirls like a dervish amid First World War corpses, Kantor's family, father raising and draining his beer glass every few seconds, Uncle Stasio playing the violin in a mournful frenzy, appear in their frames while mini-tanks and cannons roll on stage and the Habsburg officer from *Dead Class* is recreated as first a Nazi and then a Stalinist.

Music, a backcloth in the film, animates movement here and suggests at once discord – a Jewish folk song overlaid by Beethoven's Eroica, then competing with a tango – and triumph.

Like *Dead Class*, *Today is My Birthday* is about ghosts coming alive. One scene mimes the true account of the painter Jonasz Stern who collapsed during the Lodz ghetto massacre in 1943, lay as dead among the corpses until nightfall, then rose and escaped. This was one of Kantor's favourite stories and, in the persona of the living artist stepping out from his vision of the dead, seems to me a key Kantor image.

In its ability to evoke the past as if it still exists, Kantor's drama is unique; only his fellow Pole Isaac Bashevis-Singer managed to do the same in literature. Kantor distils into a formal structure his personal experience of European history; his spectacles depend on austerity and discipline – black figures with ashen faces move to a jagged choreography reminiscent of early films – yet we feel we know characters like the Wielopole curate or the *Dead Class* schoolteacher as everyday acquaintances.

"I want to squeeze out of myself what torments me. I do it only for myself. If anyone says he is doing it for society he is lying", Kantor once said. No contemporary theatre is more immediate and exhilarating; each work lasts 75 minutes and boasts ensemble playing of brilliant cohesion and dedication. The chair from which Kantor should have directed his recollections in *Today is My Birthday* remains empty; while his last spectacles continues live, catch it where you can.

Jackie Wullschlager

More reputation than substance

William Packer reviews Gerhard Richter at the Tate Gallery

Gerhard Richter is now nearly 60. He was born in Dresden, where he subsequently studied, and came over to the West in 1961. His studies continued at the Kunstakademie at Dusseldorf for a year or two, and he has been professor there since 1971. He has thus lived and worked at the very centre of West Germany's art world, a significant and influential figure in the post-war German generation that, with Beuys and Baselitz, Kiefer, Polke and the rest, has been so powerful a force in the international art world over the past 30 years. But for all his critical standing, he has remained comparatively unknown in Britain, an artist of reputation rather than substance, his work apparently the more arbitrary and inconsistent for the infrequency of its being shown.

The 48 grisaille portraits of various cultural luminaries, from H.G.Wells to Anton Bruckner shown at Nottingham in 1978, the abstract paintings at the Whitechapel in 1979, and in recent years a handful of dealers' shows of current work, are all we have seen. The full retrospective which has opened at the Tate Gallery (until January 12) is therefore hardly premature. It is, after all, one of the Tate's principal statutory functions to monitor such international reputations. If doubts arise, they are not of the Tate's but of Richter's own making.

The problem with Richter is indeed his apparent inconsistency, which trait the exhibition's selector, Sean Rainbird, in a fine flight of catalogue-speak, qualifies as "determined heterogeneity". "His work seems to move at will", he goes on, "between figurative and abstract modes of representation and demonstrates a contrasting variety of methods for applying paint onto canvas". Indeed it does, and what we discover as we pass through this show, or ponder alike the views of his several apologists and the artist's own ruminations, is an over-riding desire to have it all ways – to be at once the private and the public artist, to be indulgently painterly and yet critically credible, to be fashionable and taken seriously, great artist and profound thinker.

So it is that every work is fraught with significance and the touch of genius, even in its inconsequentiality. All is special pleading, self-justification, self-indulgence. And the sad thing is that beneath it all is a natural and interesting painter trying to be himself. Some of the abstract paintings of the early 1970s, of energetic masses of twisting and swirling lines that establish an infinitely complex pictorial space, are especially remarkable in showing us the true painter trying to get out.

But for the most part it is a case history of that heresy endemic to late modernism, by which the artist determines the work self-consciously, rather than submits himself to the necessities the work itself discovers. Arrogant artists are nothing new, but we have come to take them too readily at their word. For Richter the issue has always been to decide what is significant in current terms – and then do it, with every one a winner.

He destroyed all his early work on coming to the West. His career now starts in 1962 with a painting of a table of which the centre is roughly painted out, and continues with paintings based on impersonal or ironically neutral photographic images – of Jackie Kennedy, bombers, candelabra, a chair, the Sphinx – that in the 1960s placed him in the currency of European Pop-Art. The treatment is loose and painterly, the image finally establised on the surface by a regular lateral drag of the brush through the fat paint.

From there we go through the canon of Richter's fashionable preoccupations, with abstract expressionism, monochromatic minimalism, graphic and tactile field painting, photo-based landscape, portraiture and still-life, sky-scapes and colour charts. Everything is done with the same technical assurance, but the creative desperation grows ever more palpable, in the recent dragged abstractions most of all.

"Art is wretched, cynical, stupid, helpless, confusing – a mirror of our spiritual poverty . . . we have lost big ideas, utopias, any sense of faith, anything that endows meaning." So says Richter himself in a note of early 1988, and one cannot but feel that he has done his own little bit to help it all along, with his self-conscious postering and theorising. What, we might ask, about simplicity, or directness of response, or that interest in the model ruled out of court all those years ago?

'Flemish Crown' by Gerhard Richter, 1965, from a private collection in Essen

Sweeney Todd

WORMWOOD SCRUBS

Stephen Sondheim's opera, *Sweeney Todd* has just finished a five-night run at HMP Wormwood Scrubs before transferring to The Place (WC1, November 12-16). The show was produced jointly by Wormwood Scrubs D Wing and Pimlico Opera, the first such collaboration in the UK, and staged in the prison chapel. Live theatre and opera always means taking risks; but for those among the performers who were inmates, the risks were still greater. The result was a moving and remarkable evening.

Pimlico Opera was founded in 1987 by Wasfi Kani, who conducts with great tact, warmth and skill. The company has performed three operas in Wormwood Scrubs: *Le Nozze di Figaro*, *The Bear*, and *Falstaff*. This is the first joint project with Pimlico, the result of intensive work since April. The inmates of D Wing designed and built the set in prison, and rehearsed with the Scrubs's Drama Director Amanda Affleck. The show was crisply directed by Francesca Joseph.

The professionals did a fine job, particularly Martin Nelson as Sweeney, a cadaverous and vicious villain empowered with a moral sanction from a wronged past. He sung "Pretty Women" and "Johanna" accurately and lucidly. Alongside him, Mary King as the demon piemaker of Fleet Street, Mrs Lovett, spices up "the worst pies in London" by recycling Sweeney's victims (lawyer pie is expensive, actor pie overdone): "Fortunately it's all so clear, that everyone goes down with beer."

The bass Lynton Black as the paedophile Judge and soprano Sheena Wolstencroft as Sweeney's helper provided admirable support, making sure that Sondheim's ironies were fully explored, his rhymes completely unwrapped. The principals and chorus trusted to Sondheim's harmonies, confidently hanging out the voice and waiting for the orchestra to make sense of it.

The most moving part of the evening, however, was the final curtain call before the D Wing performers were returned to their cells. There was no condescension or sentimentality towards them. This was a rare moment when the only thing between these actors and their audience was an empty space. This show was funded by private and charitable donation; perhaps its success will open an opportunity for the government to fund similar projects beyond the scope of private support.

Andrew St George

The Kirov in Washington

For many years Soviet ballet remained virtually untouched by developments in the west. The works of Frederick Ashton, George Balanchine and Antony Tudor did not find a place in their repertories. Dancers who wanted a wider experience of contemporary choreography had no other option but to defect.

Things have changed. Dancers are now free to come and go. Gaps in repertories are being filled. On its last tours to the west the Kirov Ballet brought authorised versions of two Balanchine ballets, *Theme and Variations* and *Scotch Symphony*. Now the Kirov has returned to the US bringing two even more seminal works, Balanchine's *Apollo*, and Tudor's *Jardin aux lilas*.

Apollo was given in its entirety, with the prologue in which Leto gives birth to the young god and the apotheosis in which he ascends to Parnassus both restored. Putting the work back in its dramatic context also probably made it more accessible to these dancers, though they acted the ballet more than they should have. There was no need for Altynai Asylmuratova's Terpsichore to be quite so winsome, nor for Konstantin Zaklinsky's Apollo to be so puppyish. As the other muses, Anna Polikarpova and Irina Zhelonkina showed how quickly Soviet dancers can assume the long-limbed elegance of a Balanchine ballerina. Patricia Neary's production looked admirably authentic, in spite of a flaccid musical performance under Victor Fedotov.

The middle part of the programme , a selection of divertissements, might have been purposely chosen to show just how far the Kirov company has come. Asylmuratova's emoting in the pas de six from *Esmeralda* was both justified and affecting, but the performance hit rock-bottom with the inane pas de trois from *Fairy Doll* and the grand pas de deux from *Sleeping Beauty*.

Soviet dancers too often rely on flashy effects while real technical difficulties are fudged or faked. This will not do in Balanchine, as was demonstrated in the last number in this section, his *Tchaikovsky pas de deux*, danced by Yulia Makhalina and Igor Zelensky. Their gingerly attack of what should be a heart-stopping moment, when she throws herself be caught by him in a fish-dive, was unworthy of the Soviet tradition of acrobatic double-work.

In *Scotch Symphony*, too, the Sylphide-like ballerina is supposed to be thrown into her partner's arms, and here the other men more or less handed her to him. But otherwise this production (by Suzanne Farrell) of a decidedly minor Balanchine work has worn well.

David Vaughan

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Yuri Temirkanov conducts the Leningrad Philharmonic Orchestra in Tchaikovsky's Manfred and Shostakovich's Tenth Symphony. In the Kleine Zaal, Elly Ameling gives a recital of songs by Schumann, Wolf, Poulenc and Roussel. (6718 345)
Muziektheater 20.00 Hans-Martin Schneidt conducts Johannes Schaaf's production of Fidelio, with a cast led by Josephine Barstow, Thomas Moser and Hans Tschammer, also Thurs and Sun. (6255 455/credit card bookings 6211 211)

■ BARCELONA

Gran Teatre del Liceu 21.00 Uwe Mund conducts Emilio Sagi's production of Idomeneo, with a cast led by Gösta Winbergh, Susanne Mentzer and Marie McLaughlin. Final performance on Thurs (412 1466)

■ BIRMINGHAM

Symphony Hall 20.00 Maxim Shoylich conducts the Jerusalem Symphony Orchestra in music by Ben Haim, Mendelssohn and Tchaikovsky. Thurs: Nicholas Kraemer conducts the CBSO in a Bach and Handel programme. Fri: Rozhdestvensky conducts the *Stockholm Philharmonic*. Sat: Mendelssohn's Elijah. Sun: Yuri Temirkanov conducts the Leningrad Philharmonic (021-212 3333)

■ BRUSSELS

This week's events include a concert tonight by the Siwy Quartet at the Palais des Beaux Arts, featuring Mozart's Clarinet Quintet with Ronald Van Spaendonck. Tomorrow, Colin Davis conducts the Dresden Staatskapelle in an all-Mozart programme, and on Fri Andre Vandernoot conducts the Belgian Radio Orchestra in an all-Russian programme, including Shostakovich's Fifth Symphony (507 8200). At the Monnaie on Sun, Dimitri Hvorostovsky and Agnes Baltsa head the cast in a concert performance of Donizetti's La favorita, sung in Italian (219 6341)

■ CHICAGO

Civic Opera House 19.30 Bruno Bartoletti conducts Lyric Opera production of The Gambler, sung in English and staged by Liviu Ciulei in designs by Radu and Miruna Boruzescu. The cast includes Jacque Trussel, Sheri Greenawald and Felicity Palmer, also Fri. Tomorrow and Sat: I Puritani (332 2244). This week's programme at Orchestra Hall includes a visit on Fri from the Oslo Philharmonic under Mariss Jansons, a piano recital by Alicia de Larrocha on Sun afternoon, a concert by the Prague Symphony Orchestra on Sun evening, plus three concerts (Thurs, Fri afternoon, Sat) by the Chicago Symphony (435 6666)

■ GENEVA

Grand Theatre 20.00 Jesus Lopez-Cobos conducts Alain Marcel's production of Il barbiere di Siviglia, with a cast including Vesselina Kasarova, Rockwell Blake and Patrick Raftery. Final performances on Fri and Sun (212311). Tomorrow in Victoria Hall: Jesus Lopez-Cobos conducts a concert performance of Mozart's early sacred play Die Schuldigkeit des ersten Gebotes, with the Lausanne Chamber Orchestra and soloists including Edith Mathis, Brigitte Fournier and Aldo Baldin (292511)

■ LONDON

Covent Garden 19.30 Georg Solti conducts first night of Elijah Moshinsky's new production of Simon Boccanegra with a cast led by Alexandru Agache and Kiri te Kanawa. Runs till Nov 30, with next performance on Sat (071-240 1066)
Coliseum 19.00 Paul Daniel conducts Graham Vick's production of Le nozze di Figaro, with a cast led by Bryn Terfel and Joan Rodgers, also Fri. Tomorrow and Sat: The Mikado. Thurs: Un ballo in maschera (071-836 3161)
Royal Festival Hall 19.30 Neeme Järvi conducts the Philharmonia Orchestra in music by Rakhmaninov and Shostakovich, with Louis Lortie soloist in Schumann's Piano Concerto. Tomorrow: John McLaughlin (071-928 8800)
Queen Elizabeth Hall 19.00 Mark Wigglesworth conducts David Freeman's Opera Factory production of Don Giovanni, also Thurs and Sat. Tomorrow: Murray Perahia, Arleen Auger and friends in a programme of Mozart chamber *music* (071-928 8800)
Barbican 19.45 Elisabeth Söderstrom is soprano soloist in a programme of Prokofiev and Mussorgsky, with the Nash Ensemble. Tomorrow: Christoph Eschenbach plays Mozart (071-638 8891)

■ MADRID

At the Auditorio Nacional de Musica tonight, Itzhak Perlman gives a recital accompanied by Bruno Canino. On Thurs, Miguel Groba conducts the Orchestra and Chorus of the City of Madrid in music by Bartok, Stravinsky and Turina. This week's Spanish National Orchestra programme on Fri, Sat and Sun is conducted by Victor Pablo Perez, and includes Mahler's Fourth Symphony and Frank Martin's Ballade for trombone and orchestra (337 0100)

■ NEW YORK

Avery Fisher Hall 19.30 Robert Shaw conducts the New York Philharmonic Orchestra and Westminster Symphonic Choir in Samuel Barber's Prayers of Kierkegaard and Mozart's Mass in C minor, with soloists including Sylvia McNair and Roger Roloff. Thurs, Fri, Sat and next Tues: Kurt Masur conducts a programme of variations by four composers (875 5030)
Metropolitan Opera 20.00 Rico Saccani conducts Aida with a cast led by Aprile Millo, Dolora Zajick, Nicola Martinucci and Barseg Tumanyan, also Sat. Tomorrow: L'elisir d'amore (362 6000)
New York State Theater 20.00 City Opera ends its 1991 season with Lerner and Loewe's Brigadoon, daily till Sun (870 5570)

■ PARIS

Opéra Bastille 19.30 Myung-Whun Chung conducts Andrei Serban's production of Prokofiev's The Fiery Angel, with Marilyn Zschau and Philippe Rouillon in leading roles. Runs till Nov 25, with next performances on Thurs and Sat (4001 1616)
Théâtre des Champs-Elysées 20.30 Song recital by Barbara Hendricks, accompanied by Michel Dalberto. Thurs: Gerard Schwarz conducts the Orchestre National de France. Sat: Lazar Berman (4720 3637)
Châtelet 20.30 Broadway production of West Side Story opens a two-month Paris run. No performances on Thurs this week or next Mon and Tues. Otherwise daily except Mon, with afternoon and evenings performances on Sat and Sun (4028 2840)

■ ROME

Teatro Olimpico 21.00 Cinderella, Prokofiev's ballet choreographed by Maguy Marin. Production by Ballet of the Opera de Lyon, daily till Sun. Thurs and next Mon: Rudolf Buchbinder plays Beethoven piano sonatas (3234 890).

■ WASHINGTON

Blues Alley Jazz Supper Club This week's guest is Nancy Wilson, daily till Sunday (3240 Prospect St, Georgetown, 337 4141)
Chelsea Dinner Theater The Capitol Steps: a clever, entertaining and amusing show by an ensemble specialising in political satire. Saturday evenings *only* (11055 Thomas Jefferson St, Georgetown, 298 8222)
Kennedy Center
Concert Hall 19.00 James Conlon conducts the National Symphony Orchestra in Bruckner's Seventh Symphony and Mozart's Piano Concerto No 20, with soloist David Golub. Thurs, Fri, Sat and next Tues: Andre Previn conducts Berlioz, Ravel and Rakhmaninov (467 4600)
Opera House 20.00 Washington Opera production of Don Carlo, conducted by Rafael Fruhbeck de Burgos, with a cast including Giacomo Aragall and Nicolai Ghiaurov, also Fri and Sun. Next Mon: opening night of Don Giovanni (467 1600)
Terrace Theater 19.30 Stamitz Quartet of Prague plays string quartets by Mozart, Janacek and Dvorak. Thurs: all-Beethoven piano recital by John O'Conor. Sat: *Musicians from Marlboro play* chamber music by Boccherini, Dvorak and Adolf Busch (467 1600)
Theater Lab 20.00 Shear Madness, a fun-filled mystery set in a hair salon, with audience participation. Daily (416 8400)

■ ZURICH

Tonhalle 19.30 James Loughran conducts the Tonhalle Orchestra in Beethoven's First Symphony, Hindemith's Symphonic Metamorphoses on a Theme of Weber, and Weber's Second Clarinet Concerto, with soloist Paul Meyer. Repeated tomorrow, Thurs and Fri (201 1580)

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2300-2330 World Business Today
0100-0130 Moneyline
Superchannel
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Après moi la réforme

ONE of the abiding characteristics of Francois Mitterrand's 10-year tenure of the Elysee Palace has been his skill in keeping a multiplicity of balls in the air at once. During the last year or so, the juggling act has come very close to foundering. Having fought Gaullism implacably in opposition, and espoused it reverentially in government, Mr Mitterrand has suddenly discovered it is out of date.

The reunification of Germany and the ending of France's diplomatic primacy as a nuclear power in a post-Cold War world have thrown doubt upon fundamental premises of foreign policy. At home, the president's problems have been compounded by the shaky state of the economy, labour unrest and immigrant tensions. After the latest outbreak of farmers' violence, the president himself warned enigmatically that the republic was in "peril".

Mr Mitterrand thus made his proposals on Sunday night for a package of constitutional reforms – including a prospective cut in the presidential term from seven to five years – from a position of growing vulnerability. The measures, to be put to referendum next year, would give greater powers to the National Assembly and allow aggrieved citizens the right of access to the Constitutional Court. The suggestions are the right response to a feeling that French civic institutions are out of touch with the people.

They also have a bearing on policies over European political union. It is implausible that the Paris government could transfer to the Strasbourg parliament powers (for instance, over the initiation of legislation) which it was unwilling to give to the National Assembly. At least that contradiction may now be resolved.

Ill-defined mixture

The presidential package represents a characteristically ill-defined mixture of Mitterrand the strategist and Mitterrand the tactician. One important element, the proposed shift to proportional representation, is certain to be criticised by Mr Mitterrand's opponents. The Right believes it will weaken their showing at the next parliamentary election in spring 1993, where defeat has up to now been staring the socialists in the face. The move indeed looks like an attempt at pre-election gerrymandering similar to that put into effect (and later reversed when the Right won a parliamentary majority) before the general elections in 1986.

Opposition attacks

Otherwise, the president's proposals to trim his own sails will deflect some opposition attacks. Certainly, the initiative has been long in the making. The emperor is stealing his own clothes. A constant Mitterrand theme during his opposition decades was the need to restrain "abuse of power" by the president, given the status of an elected monarch under the fifth republic. Reducing the presidential term was one of the election promises Mr Mitterrand chose to forget. He wrote as long ago as 1972 that lowering the mandate to five years would still give the head of state more time to enact policies than the president of the US. Mrs Simone Veil, the conservative conscience of the nation, recently said that France was about as democratic as Mexico. Attempts – however belated – to reduce this democratic deficit can only be welcomed, even if they do not immediately have the hoped-for effect of reducing Frenchmen's proclivity to take to the streets.

A larger question is how the measures will affect the future of the 75-year old president and that of the Socialist party. In throwing the dice of constitutional reform, Mr Mitterrand is clearly gambling on success in next year's referendum increasing divisiveness within the rivalry-ridden Right, and healing – at least temporarily – the fractiousness of his own party. On Sunday night he was elliptical about whether his current term – due to end in 1995 – would necessarily be shortened if the electorate approved the constitutional amendment. He has however been drawn into admitting that 14 years in office is a long time. Whatever happens, the odds against Mr Mitterrand staying the course until 1995 have lengthened.

Closing Britain's productivity gap

UNIT labour costs in British manufacturing industry have fallen towards average European levels over the past five years. This achievement must be protected at all costs. The process of European integration will increase pressure for UK wages and benefits to rise to European levels. This should be resisted until Britain's labour productivity has first converged on the best European levels.

The potential for large gains in British manufacturing productivity certainly exists and have been exploited over the past decade. Only Japan had faster productivity growth than the UK in the 1980s. The productivity gap in manufacturing between the UK and major European countries narrowed for the first time since the second world war.

Yet the gains were slight compared to the task ahead. At current exchange rates, British workers still only produce two-thirds as much per hour as their German counterparts.

Moreover, these productivity gains were largely distributed to workers and shareholders rather than retained for new investment. British manufacturers invested less per employee than those in Germany, France or the US.

Instead, Britain had faster growth of domestic unit labour costs than Germany, France or Italy. Britain's competitiveness was saved by the devaluation of sterling relative to the D-Mark between 1985 and 1987. This D-mark appreciation, combined with Germany's relatively sluggish productivity growth, has eroded Germany's competitive advantage.

Inflationary bias

The ERM means that the inflationary bias within the British labour market will no longer automatically be accommodated by devaluation. Existing UK manufacturers may start without a cost disadvantage compared to those in Germany. But unless UK wage inflation can be held at the average European levels, British competitiveness will quickly erode. Rising UK wages, relative to the European competition, are only consistent with stable unit labour costs to the extent they are matched by economy-wide productivity gains.

The potential for further relative productivity gains in British industry does exist. Industrial profitability rose in the 1980s but remains low by international standards. That British wages are so much lower than in the rest of Europe means there is an important profit opportunity for any producer that can raise productivity.

Profit opportunities

Whether they can do so depends on the historical source of Britain's current deficiencies. To the extent that low UK productivity reflects low educational standards and poor training provision, the process of convergence will be long and slow. Even if the latest education reforms have their desired effect, they will take decades rather than years to show results.

Low capital investment and inefficient management and working practices are easier to rectify. The evidence suggests that restrictive working practices were an important reason for slow productivity growth in the 1970s. In the 1980s the acceleration of productivity was greater among unionised companies as the unions' influence waned.

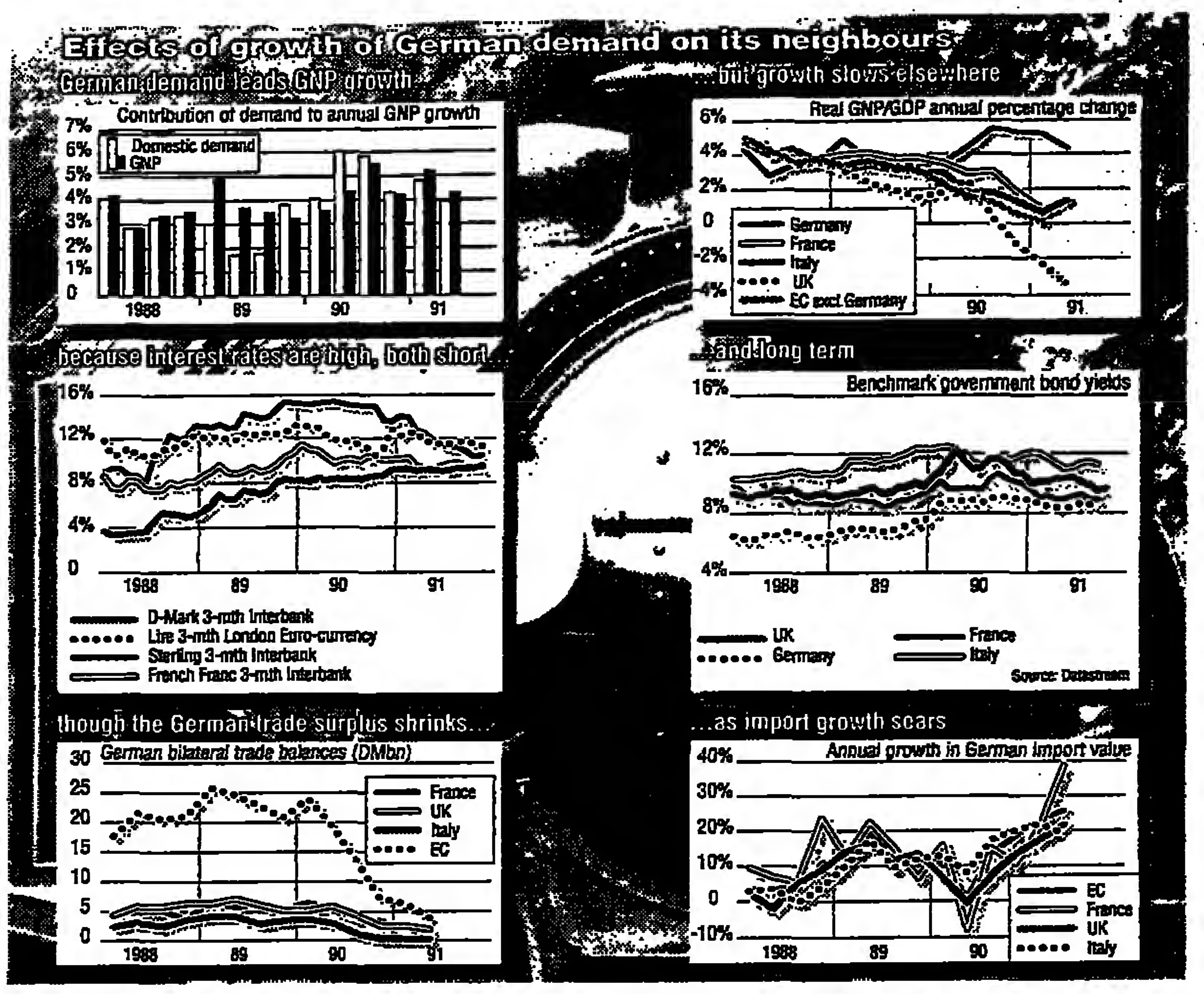
Overseas investors have proved better able to see and exploit the potential for productivity gains in the 1980s. Foreign-owned companies both invest more and produce more per worker than British owned companies.

The new Japanese car producers have shown the potential for productivity gains and profit opportunities available to new investors. By setting up on a greenfield site and retraining British workers, many of whom were previously unemployed, they have outstripped the competition in terms of productivity.

All the same, wage parity with Germany will remain a distant dream. To catch up Germany by the end of the decade, Britain's annual productivity growth would have to exceed Germany's by 3 percentage points a year, more than in the 1980s. The deficiencies in British education and training systems are too deep-seated for that.

The Bundesbank's response to pay inflation and high fiscal deficits makes Germany an uncomfortable neighbour, says **Martin Wolf**

German express slows down



The German economic express of 1990 and 1991 has left two pieces of conventional wisdom behind it on the tracks. One was the assumption that if only the German locomotive gathered enough speed, it would drag the rest of the European economy along with it; another was that the Bundesbank's mere credibility would keep German pay bargaining in line. Both have turned out to be somewhat mythical. Moreover, the Bundesbank's response to the falsity of the second ensures that the locomotive will now slow.

The speed of the German locomotive has been remarkable. During its fastest period, the year to the second quarter of 1990, domestic demand grew by 6.2 per cent, pulling the growth of west German gross national product to a peak of 5.5 per cent in the year to the third quarter of 1990.

The German government has, in fact, unwittingly attempted a classic piece of Keynesian pump priming. The fiscal deficit, combined with the direct effects of unification on the money supply and on investment, accelerated the German locomotive to express speeds. Yet the moment when the German economy went faster was almost precisely when other leading economies of the European Community started to slow.

Many "Wessis" grumble freely over the costs of unification. Yet west German economic output expanded by 7 per cent between the time of the breach of the Berlin wall and the second quarter of 1991. Meanwhile, the east German economy collapsed and much of the rest of western Europe has slowed down.

It is not that the growth of German demand did not impart the expected external impetus. The German trade surplus – the source of so many complaints over the years – has disappeared; that with the rest of the EC has fallen from DM50.4bn (£17bn) in the first half of 1989 to DM10.2bn in the first half of 1991. The main cause of this decline has been the increase in German imports; those from the rest of the EC rose by 31 per cent between the first half of 1989 and the first half of 1991.

Economists at American Express Bank argue that additional exports to Germany will make a substantial contribution to the growth of some European economies in 1991. (1) For Belgium and Luxembourg the expected effect is to increase gnp in 1991 by 4.4 percentage points, so turning a decline of 2.5 per cent into an increase of 1.9 per cent (other things being equal). The corresponding increase in gnp for the Netherlands in 1991 is 3.3 percentage points, while for Denmark and Austria it is 1.6 percentage points. These economies are, in effect, almost a part of the German economy.

For the larger economies of western Europe, however, which – together with Germany – generate almost 90 per cent of EC gnp, the impact of increased exports to Germany is considerably smaller. In the case of Italy increased exports to Germany are expected to expand 1991 gnp, again other things being equal, by 0.9 percentage points; for Spain and France the estimated increase is 0.6 percentage points, while for the UK it is only 0.4 percentage points.

Yet the fundamental point is that other things are not equal. The positive effects of increased demand have been more than offset by the negative effects of high German interest rates. Since 1988 German three-month rates of interest have risen by almost 5 percentage points, while long rates have risen by two percentage points, from 6¼ per cent to 8¼ per cent.

Higher German interest rates have not pushed rates higher in the rest of Europe but rather prevented their decline, by raising the floor onto which the rest of Europe has been converging. Consequently, they have stopped short-term interest rates in the rest of Europe from responding in the American manner to a decline in economic activity.

Members of the exchange rate mechanism, other than Germany, pay a premium in short term interest rates, with the real effects of those premiums often greatest for countries with the best inflation performance. Thus, if consumer price indices are used as rough and ready deflators, the German short-term real rate of interest is currently about 5 per cent, as is the Italian; but the British is about 6 per cent and the French about 7 per cent. These high interest rates make sense for the German economy, but less so for its partners.

The most significant external consequence of German unification has, therefore, been via rates of interest. This suggests that the EC's money and capital markets are more integrated than the markets for goods and services. The demand locomotive has not been firmly attached to the train.

Will the adverse effects of German unification on interest rates diminish now that growth of the German economy is expected to slow to a consensus level of about 2 per cent between 1991 and 1992? The answer is "no", at least in the short to medium term. The explanation for this unhappy outlook is the combination of loose fiscal policy and tight monetary policy, with which Germany has responded to the challenge of unification so far.

The historical parallel is evident: it is with Reaganomics in the early 1980s. Then, as now in Germany, high interest rates brought in resources from abroad; then, as now in Germany, foreigners suffered most of the short-term pain and domestic residents received most of the short-term gain. The longer term fiscal problems of the US should, however, serve as a warning to German politicians.

The Bundesbank is determined not to allow fiscal deficits to be monetised. Accordingly, the target monetary corridor was lowered to 3-5 per cent, following the annual review in July, from the earlier 4-6 per cent. Set against the 9.1 per cent increase in nominal gnp in the year to the second quarter of 1991, this looks like a very tight target.

The first worry is increased indirect taxes; the second is that Ms Rosy Scenario now has a home in Germany, too

The fiscal worry is one of the two main points the Bundesbank has been making. The other concerns wages. As the Bundesbank said in its Monthly Review of September: "The outcome of this year's wage round constitutes a major cost burden for enterprises, which they are trying to pass on to consumers." But "it is essential for the present upturn in prices in Germany not to result in an increase in longer term inflationary expectations".

An irresistible force – the fiscal and pay response to German unification – is meeting an hitherto immovable object – the Bundesbank's monetary rectitude. The latter is not attempting to reverse price increases that have already occurred. But it intends to return to its long-term target rate of inflation of 2 per cent, though it recognises that this will be impossible in the near future.

Yet German wages have been rising at close to an annual rate of 7 per cent in 1991. This is far above a level consistent with the Bundesbank's target for inflation, which merely confirms that negotiators have paid little attention to that target. The autumn report from the five German economic institutes suggests that pay settlements need to increase by 4 per cent from now on. But this does not seem probable, especially after the 6.7 per cent pay bargain between Volkswagen and its 128,000 German workers.

Unfortunately, this bargain coincided with a declaration from Mr Otmar Issing, a Bundesbank director, that the central bank must send an "unmistakeable signal that the self-feeding process of price and wage increases can under no circumstances continue". But workers' representatives have proved far more receptive to such indicators as spiralling rents, 10 per cent rises in the price of beer and an extra 20 pfennigs on a packet of king-size cigarettes.

They have also been quick to roll the impact of a 1 per cent increase in value-added tax into their demands – even though that is not due to take effect until the end of next year. They have responded with pay demands to match those which did them far too proud last year: the IG-Metall steel industry section recently voted to put in a 10.5 per cent claim, bank workers asked for 12 per cent and public sector employees asked for a two-figure increase. All this is precisely what the Bundesbank fears: that the government's attempts to pay for unification through higher taxes, instead of lower spending in the west, will exacerbate the wage-price spiral.

As in any other country, German wages respond to the short-term demand for labour; just like any other central bank, the Bundesbank has to win its spurs every year. If anything, it has to try harder now, after the way in which its judgment on monetary unification was seen to be ignored.

If pay inflation does not moderate, high short-term interest rates will be maintained until it does. Meanwhile, the rest of Europe will lose the benefit of rapid growth of German demand, but will still have to confront high German short term interest rates. Nor is 2 per cent growth of west German gnp the lowest expectation. Dresdner Bank, for example, forecasts growth of gnp between 1991 and 1992 at 1.6 per cent.

Slower growth should, in time, lower inflation and allow lower short-term interest rates. But the German fiscal position is a worry for the longer term as well, since it may keep long-term real rates of interest high indefinitely.

Naturally, the German government does not concur. It forecasts a smoothly declining path for the fiscal deficit, from more than 5 per cent of gnp this year, down to 2½ per cent in 1995. But there are two worries: the first is the role to be paid by increased indirect taxes, which tend to exacerbate pay pressures; the second is that Ms Rosy Scenario now has a home in Germany, too. Pay is rising rapidly in eastern Germany, while any east German recovery is very fragile, as is emphasised by the autumn report from the five research institutes. The cost of bringing about the growth of the east German economy to which the government is committed could be far larger than is even now admitted.

Economists at the Institut der Deutschen Wirtschaft (a Cologne-based think tank) argue that the fiscal deficit is more likely to be 4 per cent in 1995 than 2½ per cent. A forthcoming analysis from Shearson Lehman Brothers in London agrees that German government forecasts are at the lower end of the range of feasible outcomes. If the pessimists are right, long-term rates of interest in Germany – and so in Europe – are likely to remain high for the indefinite future. Germany could even fail to meet suggested criteria for entry into the EC's economic and monetary union (a fiscal deficit of 3 per cent of gnp and a ratio of public sector debt to gnp of 60 per cent).

The Bundesbank is walking along a knife edge – and so is the German economy. Too much tightening will make the fiscal problem worse and dash hopes of east Germans for a rapid economy recovery; too little and the Bundesbank's reputation evaporates. Either way the rest of Europe is in for an uncomfortable time. Many might be tempted to push for a looser German monetary policy. But the focus should, instead, be on the fiscal policies of German government, at all levels. It is these that are unneighbourly. Yet, whatever the fine words in Maastricht, the rest of Europe will have to live with them for quite a while longer.

1 The AMEX Bank Review, October 7 1991.

OBSERVER

Heathrow's baggage lady

■ In an unusual display of togetherness, British Airways and BAA, the UK airports operator, have hired the high-flying Kate Jenkins, former head of Mrs Thatcher's efficiency unit, as a short-term trouble-shooter. They want her to tell them how to make Heathrow a more congenial place for transfer passengers and, more important, their bags.

The no-nonsense Jenkins, whose brother edits The Times, and who parries questions about her career with a photocopy of a concise Who Who's entry, most recently spent a rather short two years at the Royal Mail, where she is best remembered for her dedication to employee involvement and service award schemes.

With a quarter of passengers passing through the airport falling into the category of transfers – a proportion that is expected to grow – Heathrow is waking up to the importance of getting this aspect of the business right if it is not to lose out to the fast-growing continental European hubs.

One of BA's long-standing gripes with BAA has been the fact that it has never been able to develop its own hub – resulting in passengers and bags embarking on a time-consuming and sometimes perilous journey between terminals one and four. The airline, however, vows the study is not intended to prove a point with BAA, but rather to solve a problem until the controversial fifth terminal is in sight.

Right ideology

■ Die-hard socialists suggest Labour is ditching its socialist ideology and adopting more right-wing policies. But is the right wing of the Conservative party busily heading leftwards?

The Adam Smith Institute has just published a booklet on the subject of unemployment which heaps praise on Sir William Beveridge, architect-in-chief of the post-Second World War welfare state.

The author? Ralph Howell – Conservative MP for Norfolk North and one of the Tory thinkers who advocated financing this year's cut in poll tax by raising VAT – argues for the replacement of the dole with £100-a-week jobs in environmental and social projects.

Howell's sub-text in Why Not Work? is that Britain would be better off today if Beveridge's 1942 report Social Insurance and Allied Services had been implemented fully. Successive governments "quietly ignored all the restrictions and counterbalances that Beveridge thought necessary to make his programme work," he argues.

Bowing out

■ Events are moving so quickly in South Africa that it is easy to overlook the symbolic significance of Anglo American's sale of most of its stake in Gencor, its rival South African mining-house.

Twenty five years ago there was little Afrikaner involvement in either mining or business. Afrikaners gravitated towards politics, the civil service and farming while Big Business was dominated by English speakers. This divide fuelled anti-business and anti-English sentiment among Afrikaners and was fanned by the prime minister, Hendrik Verwoerd. In a bid to reduce the tensions, Anglo American's Harry Oppenheimer decided to help the Afrikaners get a proper foothold in the mining business.

In 1963 Anglo American, which dominated the industry, joined forces with Federale Mynbou, the fledgling Afrikans mining house, to take control of General Mining. Two years later Oppenheimer allowed Federale to gain effective control and Gencor was born 15 years later when General Mining and Union Corporation merged.

Today Gencor is a worthy rival to Anglo, and despite its Afrikaner roots is led by Derek Keys, an English speaker. In South African business, at least, the old labels are no longer relevant.

"The television won't switch off"

Snakes 'n' ladders

■ When President Walesa asked Bronislaw Geremek, the 59-year-old historian and Solidarity veteran, to try to form Poland's next government, few political commentators gave either of them much chance of succeeding.

But the President may be counting on Geremek's undoubted political guile to outmanoeuvre the right wing Christian Democrats who oppose him.

His ability to mask his real intentions became something of a legend in the last parliament where he headed the Solidarity group. Indeed, fellow deputies used to say that when they saw Geremek moving on a staircase they couldn't work out whether he was going up or coming down.

Fair bet

■ Yesterday's Government white paper on the progress of the 56 executive agencies promises that weather forecasts will be more accurate.

The Met Office claims that 84 per cent of the national 24-hour forecasts broadcast by BBC Radio 4 at 17.55 have proved accurate in the first year of its existence as an agency. And over the next five years, the weatherpeople have sworn to reduce errors associated with 48-hour forecasting by 15 per cent.

Whatever next? The trains running on time?

Financial cycle

■ What do you do with a few million pounds that nobody wants? Every week the Royal Bank of Scotland burns millions and millions of old pound notes that are no longer usable. However, because of environmental considerations and shortage of space for the necessary equipment in its new administrative headquarters, it will soon have to put an end to this costly practice. The new plan is to reduce the old notes to tiny granules. Only problem is what to do with the granules?

Among the more novel suggestions from companies interested in recyclying possibilities is to use the granules as bedding material for horses. It gives a new meaning to the term stable currency.

Makes sense

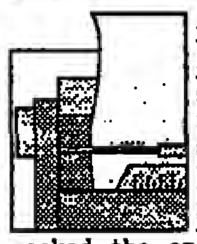
■ What's the difference between an economist and a businessman?

The economist knows how things work, but they don't. The businessman doesn't know how things work. But they do.

PERSONAL VIEW

Why US services need a shake-out

By Stephen S Roach



America's vast service sector is under siege. Over the past six months, an unprecedented bout of consolidation has rocked the once-sacrosanct bastions of banking, airlines, advertising, accounting and the legal profession.

The problem is not the temporary impacts of recession. The weak and strong alike are facing the imperatives of a new wave of restructuring – one that is now crashing down on key players such as BankAmerica, Pan Am, American International Group, Peat Marwick, American Express, and Skadden Arps. And it is only just beginning.

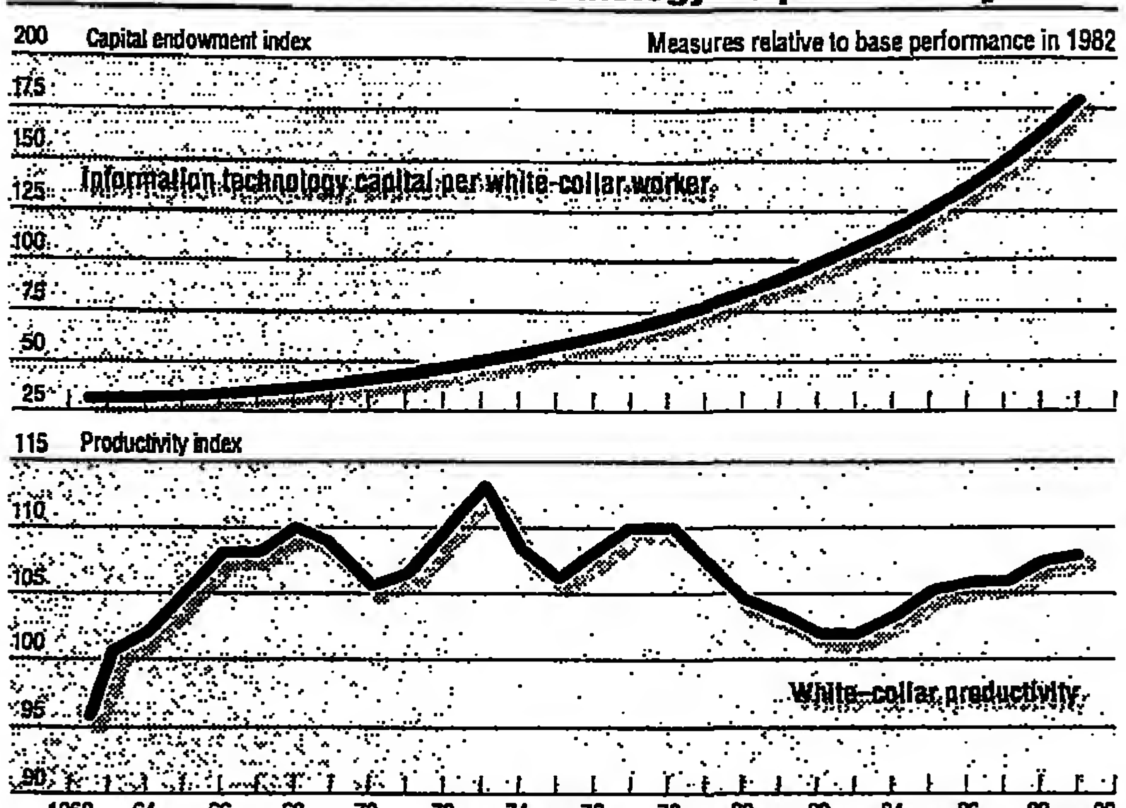
For the US economy, there is a grim sense of déjà vu. During the 1980s, "restructuring" became the mantra for Smokestack America. At the same time, excesses were mounting in services. In the past decade the sector added nearly 20m jobs and spent $800bn on computers, telecommunications equipment, and other forms of information technology. This produced a doubling of the technology available to the average white-collar worker in the service sector.

Unfortunately, this headlong rush into the Information Age had one serious flaw – an abysmal failure on the productivity front. Indeed, service-sector productivity came to a virtual standstill in the late 1970s and has eked out only paltry gains ever since (see accompanying chart).

This seemingly paradoxical result has puzzled many. Information technology was supposed to be the black magic of post-industrial America. And yet the service sector – the primary user of these tools – is reeling. The machine is not the problem. Few can doubt the staggering breakthroughs of miniaturisation, computational speed, and price. The disappointing paybacks from massive investments in information technology are, instead, traceable largely to managerial ineptitude and complacency.

Significantly, services have seriously underestimated the total costs of their technology buying binge. The more than $100bn this sector now spends annually on technology hardware is only the tip of the iceberg. Software adds to the bill, as do research and development expenses for the development of new control and analytical systems. There are also the outlays associated with an extensive professional support staff, as well as the demanding requirements of an increasingly shorter product-replacement cycle.

US SERVICES: Investment technology Vs productivity



Source: Morgan Stanley estimates based on US Dept of Commerce and US Bureau of Labour Statistics

Moreover, services have failed to exploit the labour-saving potential of information technology. This is especially true in the back office. Indeed, the ratio of clerical and administrative workers to managers and professionals – about 1 to 1.5 – changed little in the service sector during the 1980s. If information technology were truly automating the back offices of service companies, this ratio should have fallen. Services have been reluctant to follow one of the time-worn axioms of productivity enhancement – trading workers for machines. Fortunately, that is now starting to change. Each of the huge banking mergers of this year entails the outright elimination of redundant back office capacity.

Additionally, the productivity paybacks from technology applications in the front office have been disappointing. The seemingly attractive concept of the fully networked office environment rings hollow. Technology connects machines but has done little to instil productive synergy among people. Electronic messages may flow smoothly, but creative high-value-added applications are still lacking. And yet it is precisely those types of innovative, idea-driven breakthroughs that lie at the heart of America's long history of productivity enhancement.

All this is not to say that information technology has been a total flop in the service sector. There have been sparkling successes with applications related to specific transactions. Examples include cheque clearing, securities trading, automated shipping systems, and airlines' pricing and reservation management systems. Unfortunately, these applications have been the exception and not the rule.

The real rub of America's technology paradox is an ominous transformation of the service sector's cost structure. Over most of their history, services were the quintessential variable cost producer. Their main assets were workers. At the end of the day, these assets always went out the door down – subject to dismissal if business conditions toughened. While workers can still be hired and fired, service companies now carry an extra layer of costs in the form of a flourishing technology infrastructure. Unwittingly, services have moved from a variable-cost to a fixed-cost regime, sacrificing flexibility without gaining any concomitant productivity benefits.

Amazingly enough, they got away with it in the 1980s. While trapped in a quagmire of low productivity, services never really felt any need to change. The reason: the sector was sheltered from competition. Shielded by regulation and confronted by few foreign competitors, services were not held accountable for their inefficiencies.

Those days are gone forever. A new competition has burst forth in America's service sector. The government has lifted its regulatory shackles – thereby lowering barriers to entry in many service industries, including airlines, trucking, telecommunications, cable television, and finance. Moreover, there has been a surge of foreign direct investment in an equally broad array of US service industries. – allowing foreign players to join the battle for market share.

Competition is the great equaliser that ultimately demands efficiency as the price for survival. And for services, ill-equipped to meet these new competitive pressures, restructuring is the only answer. But the service sector must be careful. The risk is following the script of the manufacturing experience of the 1980s – becoming overly fixated on cost-cutting. That could lead to a "hollowing", or excess shrinkage, of the service sector, sacrificing longer-term competitive opportunities just to secure the transitory benefits of short-term efficiencies.

What can be done? For starters new accounting tools are essential – giving services better ways to gauge the value-added returns of both white-collar hiring and technology acquisition. Managers can then begin to "outsource", or purchase from third-party vendors, a variety of low-value-added functions such as data processing. For those costs that cannot be shed, expansion will be required to benefit from economies of scale. This will lead to the globalisation of services – facilitated by a new wave of strategic alliances, cross-ownership arrangements, and mergers and acquisitions.

In the end, it will be up to managers to discover their own unique productivity recipe. The service company that responds to heightened competition will look very different from its predecessors. Strategically focused, it will have an efficient delivery system, a high-quality product, and a flexible cost structure. And the successful service company of the 1990s will crack the great mystique of the Information Age – using information technology as the ultimate tool of white-collar productivity leverage. Such a changemay seem daunting, but nothing short of America's future economic prosperity is at stake.

The author is principal and senior economist at Morgan Stanley and Co, New York

Joe Rogaly

Maastricht labours

Anti-Europeans who think that they will best serve their cause by encouraging people to vote against the government are chumps. I wonder if any of them understand current Labour party thinking on Europe.

Let me enlighten those who do not. Insofar as the European Commission promotes big government with a social democratic flavour it is Labour's dream machine. If Mr Neil Kinnock were to win the next election he would enter No 10 Downing Street burdened by party commitments to move the federal mechanism within the European Community several ratchets further forward. We may be fated to move in that direction anyway, but for those who do not like it the strategy of Conservative hara-kiri is absurd. For from the point of view of anti-Europeans, Labour could be a softer touch for the blandishments of federalists than is the prime minister, Mr John Major.

Mr David Martin, Labour member of the European Parliament for the Lothians, provides evidence to this effect. He is not the official Labour spokesman on EC affairs – that is the hard-nosed Mr George Robertson – nor is he especially close to the Labour leader, Mr Kinnock. He is, nevertheless, the Strasbourg parliament's main *rapporteur* on political union, and author of a 1988 Fabian pamphlet on "a Left agenda for Europe", much of which he says has since become Labour policy. Now, he argues, the agenda put forward in his official reports setting out the wish-lists of the European Parliament's institutional committee has been adopted almost entirely by Labour.

That agenda includes several items which the government is attempting to modify or veto during the current negotiations. Majority voting on social policy is one. This very day our Mr Douglas Hurd is arguing against the social charter in a grey hotel in a windswept Dutch seaside resort. We do not pay him enough, not to sit for 48 hours picking over clauses in tiresome conclave with the foreign ministers of the other 11 EC countries. A common foreign and security policy is another EC idea bought by Labour; Mr Hurd will be having his say on that, too. Mr Martin's list also includes greater influence for EC regions, the right for the Strasbourg parliament to initiate legislation and the power of co-decision between the European Parliament and the council of ministers. (On the latter point, the latest Dutch draft tactfully omits the word "co-decision" and refers to "article 189 (b) procedures". I smell an elaborate compromise.)

The proposal British ministers feel most emotional about is the extension of Community competence over matters of immigration and asylum; in Whitehall's view foreigners are not to be trusted to keep the British isles safe. The same applies to the pursuit of drug traffickers. Mr Hurd remembers his experience in co-operation on these affairs through the Trevi groups' intergovernmental meetings. He wants to keep that arrangement. Labour does not propose to be caught out: it argues that as an island we need border controls.

Labour could be a softer touch for the blandishments of federalists than is the prime minister

To make his general case, Mr Martin cites Labour's policy review documents plus composite motion No 50 from the recent party conference. He will be aware that in political life the written word is there to be distorted and where necessary forgotten. The first thought of a Labour government would be to sort out such small print and cast aside paragraphs that do not suit. The weeding-out may come sooner, in the election manifesto. Thus we need not follow Mr Martin's argument to the last comma. The thrust of Labour's policy is, however, to keep the party at least one inch ahead of the government, on the pro-EC union side of the road.

It will not be possible to clarify this analysis by listening to the speeches in next week's Westminster debate on the EC. With less than four weeks to go to Maastricht everything said by governments from now on must be regarded as part of the negotiations; everything said by British politicians as part of the election campaign. This includes the present series of noises from Whitehall, to the effect that the meeting between Mr John Major and Mr Helmut Kohl on Sunday has begun to move the discussions in a British direction. There may be signals of the opposite kind before the game is over.

For Mr Major has the difficult task of speaking with triple-forked tongue. He must be negotiator abroad and politician at home. He needs to convince the Germans and the French and the rest that there are conditions away from which he would walk, while yet preparing the ground for parliamentary acclaim for the deal he hopes to persuade his party to accept. As a third objective, his speeches must also prepare the basically pro-European British electorate for the possibility that no agreement it would consider reasonable can be reached.

The point he needs to make is that it will not be the end of the world if Maastricht fails. Say the assembled heads of government agree a new treaty on economic and monetary union but Britain remains dissatisfied with the political-union draft. In theory everything collapses, because the Germans will not have the monetary treaty without its political counterpart.

In practice the process is most unlikely to end like that, or, indeed, to end at all. That is not the European way. Mr Kohl would feel that his warm embrace had been spurned. Mr Delors might growl and others may grumble, but any breakdown at Maastricht need not be terminal. The Dutch final draft could stay on the table, to be further negotiated at a Maastricht II before Christmas, or under the Portuguese presidency early next year. By that time the election would be so close that perhaps even Mrs Margaret Thatcher would feel obliged to keep silent.

LETTERS

Recognition of supervisor's role overdue

From Mr Q J F Baer and Mr I P Clarkson.

Sir, The recent report published by the NEDC on "What makes a supervisor world class?" has regrettably drawn only limited comment ("Poor training for supervisors criticised", October 23).

It is entirely welcome that a report has been published which addresses one of the fundamental problems of UK manufacturing. For far too long, too little attention has been focused on the important and critical role of the supervisors.

We work with management and supervision implementing profitability improvement programmes within a range of medium to large sized manufacturing companies and continually face the problem of supervisors ill equipped to carry out their role. That is due to limited training and the poor leadership and example of middle management, who too often have a role that is ill defined and too generalised.

The report rightly recognises that for industry to remain competitive it will be necessary for supervisors to have a higher level of technical and management competence than they possess today. It fails to emphasise the degree to which supervision is the key to improvements in performance.

That has been recognised by the most efficient manufacturers in the world who have adopted systems and techniques which devolve power and responsibility for production to the shop floor. Supervision and the workforce in general have, for them, become the prime drivers of continuous improvement and quality.

If we fail to provide the training and systems to upgrade the quality of our supervisors, it is certain that we will fall further behind relative to the competition.

I fear, however, that far more attention will be paid to the current fashionable solutions being marketed by manufacturing gurus and consultants which will, like their predecessors, come to nothing.

Q J F Baer, *chairman*,
I P Clarkson,
chief executive,
Peter Chadwick,
Quadrant House,
Kew Road,
Richmond, Surrey

Confusion cloaks bishop and Mammon

From Mr David Grenier.

Sir, Your report of October 25 ("Bishop loses to Mammon over £3bn portfolio") and the Lex comment of the same day fail to do justice to the complex issues concerning ethical investment. These issues are of major concern to trustees of charities and pension funds as well as to professional investment managers.

Now that these issues are in the public arena, as a result of the High Court ruling sought by the Bishop of Oxford, it is critical for discussion to take place on an informed basis.

One area that needs closer examination is the implicit assumption, by some proponents of ethical investment, that it can produce comparable returns to non-ethical investment. This suggests the choice between God and Mammon may be relatively painless.

There is a suggestion of this in the views of the Bishop of Oxford (Church Times, March 30 1990). In his words, "Ethical investment is an idea whose time has come: there are now a number of ethical investment trusts, *all of whom are doing well*" (my italics).

The same sentiment is reflected in the Lex comment that "experience to date suggests that ethical funds can outperform despite the restrictions imposed upon them."

The evidence supporting these views has not been quantified. Although the recent FT Quarterly Review of Personal Finance carried a table apparently showing that the average ethical unit trust has produced superior returns to the average unit trust over one and three years, the text of the article showed this result was only achieved as a result of the high returns on one small unit trust representing less than 0.5 per cent of the total assets of the ethical unit trusts reviewed. Median as opposed to average return would have shown a different picture.

More analysis needs to be done to establish whether or not there is a direct correlation between the degree of restriction imposed by an ethical mandate and the returns achieved on assets. Certainly, one fund quoted as being restricted from investing in 87 of the 100 constituents of the FTSE Index has reflected this degree of restriction in poor investment returns.

Our own experience in the specialist area of portfolio management for charities suggests that trustees have widely differing interpretations of what constitutes ethical investment. The trade-offs can be considerable, and our own view is that trustees need to be aware that the returns achieved from ethical investment may well be less, and in some cases significantly less, than the returns available from the market as whole. This is an issue that needs to be faced realistically; a case perhaps for a wealth warning on the package.

David Grenier,
chief executive,
Independent Investment Management,
Warnford Court,
Throgmorton Street, London

Resignation signposts British export difficulties

From Mr P Hills.

Sir, The resignation of Mr Malcolm Stephens, chief executive of the Export Credit Guarantee Department (ECGD), is the clearest evidence to emerge so far of how unpopular and indeed unwise current government policy is towards the operation of the project division of that organisation.

The introduction of the Portfolio Management System (PMS) for the ECGD has led to a number of new problems for hard pressed British exporters.

Under PMS there is now greater disparity between the ECGD premium charges and those of British exporters' principal competitors.

The increased premium charges, combined with the imposition of greater restriction on cover for certain overseas markets where British exporters have traditionally been successful, must surely sound the death knell for the ECGD's project division, as well as for a number of British exporting industries.

Is it any surprise therefore that the chancellor is able to announce in his autumn statement that the trade deficit for 1992 is likely to reach £9.5bn, almost a 50 per cent increase on the current projected trade deficit for 1991?

I must congratulate Mr Stephens for being a man of high principle who was, I am sure, not prepared to support government policy which he felt was harmful to British exporting industry and indeed to the British economy.

Philip Hills,
head of trade finance,
Midland Bank,
110 Cannon Street, EC4

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

House prices are at last falling to realistic levels

From I J Kenna.

Sir, I note from the Financial Times ("Societies see no signs of revival in housing", November 6) that no revival in house prices is anticipated.

In times past, a house purchaser bought far more than bricks, mortar and land with his money.

High tax relief, low real interest rates, the scarcity factor, life assurance premium relief on an endowment mortgage and the prospect of an easy inflationary capital gain: these factors were never properly costed but they were all there.

Now they no longer exist and will probably never exist again.

Their value could add up to half the purchase price of a house.

All the purchaser gets now, apart from a small tax relief element, is bricks, mortar, and land.

House prices, therefore, are merely falling to realistic levels.

When they have reached those levels, purchasers will reappear.

I J Kenna,
72 Compton Street,
London EC1

FINANCIAL TIMES
Tuesday November 12 1991

Yugoslav federal troops evacuate one of more than 30 people who have spent the past three months in shelters in the besieged town of Vukovar

EC to pull monitors out of Dubrovnik

By Judy Dempsey, East Europe Correspondent

EUROPEAN Community monitors have decided to pull out of the Yugoslav city of Dubrovnik because it has become too dangerous to stay, an EC official said yesterday.

"We are concerned about their safety. We plan to withdraw them at the first possible opportunity," said Mr Ed Koestal, the EC's spokesman in Zagreb, the capital of Croatia.

The decision was taken following three days of heavy bombardment by the Serb-dominated federal army of the medieval city on the Adriatic coast, and also the town of Vukovar, in Slavonia, eastern Croatia, which has been under siege for the past 11 weeks.

Croatian radio said 22 boats were sunk in the harbour around Dubrovnik and 17 hotels damaged. Belgrade radio reported that two boats were sunk as they tried to break through a naval blockade of the port. According to Croatian radio, more than 50 people died in fighting throughout the republic over the past few days.

Despite the pull-out from Dubrovnik, the monitors will remain in Croatia as long as the EC-sponsored peace conference continues, an official said.

The conference, despite its failure to impose 12 ceasefires, will run parallel with the EC's decision last Friday to impose trade sanctions across Yugoslavia. The US joined the trade embargo at the weekend.

The Swedish government said yesterday it would impose economic sanctions from tomorrow, and urged the European Free Trade Association (Efta), of which it is a member, to break off all co-operation with Yugoslavia. The group of 24 western industrialised countries also decided to suspend aid to Yugoslavia. In New York, behind the scenes consultations are taking place, with the possibility of submitting a resolution to the United Nations Security Council over the next few days.

However, it is understood that Serbia's call for a UN peace-keeping force to be sent to Croatia, will not, for the moment, be seriously considered. The appeal has been seen as an attempt to forestall a UN oil embargo.

Conservative opposition parties accuse president of electoral trickery

Mitterrand reform plans attacked

By Ian Davidson in Paris

PRESIDENT François Mitterrand's plans for wide-ranging reforms to the French constitution have been attacked by the main conservative opposition parties.

Many leading conservative politicians accused him of resorting to electoral trickery as a devious means of getting the governing Socialist party out of trouble.

Two of the possible Mitterrand reforms, a shortening of the presidential term from seven to five years and a strengthening of the role of the parliament, have long been advocated by leading politicians on both sides of the political spectrum.

But several conservative spokesmen yesterday complained that President Mitterrand was only now proposing these reforms when his government was in difficulty in the opinion polls, whereas he could have put them forward at any time in the past 10 years.

"The key to this initiative," said Mr François Léotard of the Republican Party, "is that, in order to prevent a change in the parliamentary majority in 1993, they want to change the constitution. That is a new ruse."

Mr Philip de Villiers, the rising rightwing Gaullist, described President Mitterrand as "an old trickster", and Mr François Bayrou, secretary-general of the centre-right UDF grouping, said: "It is shocking to see the president of the Republic present his own errors as defects in the constitution."

Socialist party spokesmen formally welcomed the constitutional reform initiative. But the party is divided over a proposal to revert to an element of proportional representation for the 1993 legislative elections.

Mr Michel Rocard, the former prime minister, and a leading candidate to succeed President Mitterrand, resigned in 1985 on the previous occasion when President Mitterrand changed the voting system to proportional representation. The system has since been changed back to majority voting.

Mr Antoine Wauchter, the leader of the Green party, which would be likely to benefit most from a shift to proportional voting, welcomed the proposed changes.

Mitterrand aims to give opposition the slip, Page 4

Germany to slash coal production

By Christopher Parkes in Bonn

GERMANY is to reduce its hard coal production by more than 20 per cent by the end of the decade, cut subsidised supplies to power stations and steelworks and slash the industry's workforce by 30,000.

The cuts, agreed in Bonn at a five-hour meeting between federal and state ministers, mine owners, electricity companies and unions yesterday, will reduce output from 70m tonnes a year now to less than 55m tonnes and leave fewer than 100,000 people employed in the industry.

Coal is the mainstay of German energy policy, accounting for 27 per cent of primary energy consumption in the west and 69 per cent in the east. Restructuring the coal industry is one of the main aims of the new overall energy policy for Germany, expected to be agreed this year.

However, the deal may yet founder if the European Commission competition authorities object to the slow pace of the plan to dismantle subsidies. Power companies at the talks said they had agreed to buy 35m tonnes of German coal a year from 1997 to 2005 – but only at world market prices, which implies substantial support pricing.

Mr Jürgen Möllemann, the economics minister, said a new financing system would have to be worked out to replace the current "coal pfennig" subsidy scheme under which electricity companies are allowed to charge an 8 per cent levy on all bills to cover the extra cost of buying German coal over cheaper imports or other fuels.

The negotiators also agreed that quantities of subsidised coking coal for the steel industry should be reduced from 21m tonnes this year to 15m tonnes by 2005.

Brussels has given permission for the coal pfennig system to continue until 1995, but it said earlier this year that it wanted the quantities of coal involved reduced from almost 41m tonnes this year to 30m tonnes by 1993.

Mr Möllemann, who went into the negotiations demanding a cut in coal output to 45m tonnes, said the agreement was a "rational compromise" which he would present for approval in Brussels "with all vigour".

New draft has few changes

Continued from Page 1

tion between EC states, the Dutch plan provides for the possibility of giving the Commission the full right to propose policy in these areas. This is conditional on all EC states agreeing.

The Germans will pleased by the new twist, as they want maximum community involvement in these areas.

Immigration and criminal justice issues would, like foreign and security policy, remain basically areas of inter-governmental co-operation among EC states.

On a common defence policy, the Dutch text accepts that virtually all states agree that European defence efforts should be focused on the Western European Union. It does not attempt to reconcile the view that while France and Germany want to bring the WEU close to the Community, Britain and Italy say the WEU must have equally close links with Nato.

The text sets out more clearly how a common foreign policy might work. Areas of "common action" such as relations with the US would be decided unanimimously by government heads.

But "the general rule" would be that "the means of implementing a common action would be decided by a qualified majority" of at least eight EC states.

Backing sought for fusion plan

By Clive Cookson, Science Editor, in London

NUCLEAR fusion researchers yesterday urged the world's politicians to support plans for a $5bn experimental fusion reactor which would generate as much electricity as a large power station.

The call followed Saturday's successful experiment with the Joint European Torus (JET) at Culham in Oxfordshire, England, which was the first demonstration of controlled fusion on earth.

Dr Paul-Henri Rebut, JET director, told a press conference in London that the proposed International Thermonuclear Experimental Reactor (ITER) would be a doughnut-shaped device modelled on JET but more than twice as big.

There is not yet even a short-list of candidate sites for ITER, and the design team will work in three separate places: *Garching in Germany*, San Diego in the US and Naka in Japan. "On objective technical criteria, a site alongside JET at Culham would be possible," said Dr Rebut.

He and other technical experts from the European Community, the US, Japan and the Soviet Union will be meeting in Moscow this week to negotiate the engineering design stage of ITER.

Dr Rebut said that "if there is strong political support from governments" construction of ITER could start in 1995. But political wrangling about funding and location would set the project back by several years.

Fusion, the power of the sun, releases immense quantities of energy by forcing together light atoms (forms of hydrogen known as deuterium and tritium). It is the opposite of fission, the basis of nuclear power today, in which heavy atoms of uranium are split.

Saturday evening's JET experiment did not use the full power of the reactor. It released 2MW of energy in a two second burst, from less than a gramme of superheated gas at a temperature ten times higher than the centre of the sun.

Paul-Henri Rebut: due to meet other experts in Moscow

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	16	61
Algiers	F	18	64
Amsterdam	R	13	55
Athens	T	20	68
Bahrain	S	28	82
Bangkok	F	34	93
Barcelona	S	13	55
Beirut	S	22	72
Belfast	C	10	50
Belgrade	F	9	48
Berlin	C	7	45
Biarritz	C	13	55
Bombay	S	32	90
Bordeaux	F	14	57
Boulogne	C	13	55
Brussels	R	11	52
Budapest	S	9	48
Buenos Aires	R	23	73
Cairo	S	26	79
Cape Town	C	13	55
Caracas	C	28	82
Casablanca	S	19	66
Chicago	F	-10	14
Cologne	R	11	52
Copenhagen	F	10	50
Corfu	R	15	59
Dallas	C	10	50
Dublin	R	12	54
Dubrovnik		-	-
Edinburgh	R	9	48
Faro	S	19	66
Florence	S	14	57
Frankfurt	R	7	45
Geneva	C	5	41
Gibraltar	S	19	66
Glasgow	R	9	48
Helsinki	C	5	41
Hong Kong	S	25	77
Innsbruck	C	3	37
Inverness	R	7	45
Islamabad	F	24	75
Istanbul	F	17	63
Jakarta	R	30	86
Jersey	R	12	54
Johannesburg	S	27	81
Lima	C	21	70
Lisbon	S	15	59
London	C	13	55
Los Angeles	S	16	61
Luxembourg	R	7	45
Madeira	F	20	68
Madrid	S	10	50
Majorca	S	17	63
Malaga	S	[illegible]	54
Malta	F	16	61
Manchester	R	12	54
Manila	C	23	73
Melbourne	F	[illegible]	[illegible]
Mexico City	C	[illegible]	[illegible]
Miami	F	21	[illegible]
Milan	S	10	50
Montreal	C	1	34
Moscow	C	1	34
Munich	S	2	36
Nairobi	S	25	77
Naples	F	15	59
Nassau		-	-
New Delhi	S	28	82
New York	[illegible]	7	45
Nice	S	13	55
Nicosia	S	23	73
Oporto	S	15	59
Oslo	S	6	43
Paris	C	10	50
Peking	S	10	50
Prague	R	3	37
Reykjavik	F	1	34
Rhodes	F	21	70
Rio de Janeiro	F	24	75
Rome	S	17	63
Salzburg	C	5	41
San Francisco	S	14	57
Seoul	R	10	50
Singapore	F	27	81
Stockholm	R	5	41
Strasbourg	R	8	46
Sydney	S	28	82
Taipei	F	29	84
Tangier	S	20	68
Tel Aviv	S	23	73
Tenerife	F	23	73
Tokyo	S	18	64
Toronto	F	-3	27
Tunis	F	15	59
Valencia	S	15	59
Venice	S	11	52
Vienna	F	10	50
Warsaw	F	5	41
Washington	F	3	37
Zurich	C	4	39

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

Frayed nerves at British Steel

Sir Robert Scholey is not known for dithering. But his reluctance to learn from the Bank of England's strictures on uncovered dividends has condemned him to the worst of both sides of the short-termism controversy. By passing its interim dividend, British Steel could have saved £115m in cash. But despite the maintained payment, Sir Robert's warning about the final dividend provoked a 20 per cent fall in the company's market value.

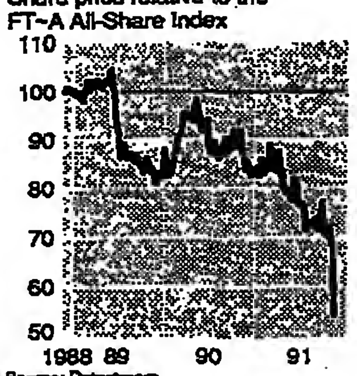
British Steel's problem is compounded because it is traditionally seen as a yield stock. It takes courage to disrupt the dividend flow when that would undermine the whole rationale for investors. In the longer term, however, there can never be any real sense in paying dividends out of capital unless the objective is to wind down the business.

Investors whose main priority is yield would do better buying bonds. Utilities may be appropriately valued in this way, but British Steel is certainly not one of those. Its high operational gearing – whereby a 9 per cent fall in first half turnover allowed only a 1 per cent fall in operating costs – makes it far too vulnerable to the vagaries of the cycle. In theory it should now be a recovery play, though the trouble is that structural overcapacity in Europe and the prospective downturn in Germany will delay its earnings rebound.

The logic of the Governor's argument would now require British Steel to pass its final dividend altogether. Where that would leave the share price is anybody's guess. Assuming, however, that investors still demand a yield of roughly twice the market average, last night's 91½p close implies they are looking for a 3p final. That would confine the full-year cut in net payout to a mere 31 per cent. Not very easy to justify after what is condemned to be a thoroughly dismal result.

FT-SE Index: 2,554.9 (-4.1)

British Steel
Share price relative to the FT-A All-Share Index



Source: Datastream

GrandMet

Grand Metropolitan's proposed sale of the bulk of its Express Dairies business to Northern Foods looks like another curious instance of the perversity of competition policy. The planned break-up of the dairy farmers' cartel known as the Milk Marketing Boards will oblige its members to compete with each other. The result seems to be amalgamation among their customers. A free market will oblige farmers to offer bulk discounts, as opposed to charging a fixed price through the cartel. Hence the logic of a deal which will give Northern Foods as buyer some 25 per cent of the UK market for milk distribution and 30 per cent of the markets for yoghurt and cream.

Assuming the competition authorities will wear this, the purchase looks like a further instance of Northern returning to its roots. Its reputation in the 1970s was built on the efficiency of its liquid milk operation and avoidance of commodity dairy products such as cheese and butter. Assuming operating profits of £40m for the bits it proposes to buy, a price of £350m would produce an earnings multiple of around 13, not far from Northern's own. Logic also suggests the milk business in the south west would be sold on.

That would leave GrandMet with the cheese, butter and Irish bits of Express still to sell, perhaps for a further £150m. GrandMet's case for getting rid of Express is clear – that its business is in branded goods with international potential. The fact that a huge chunk of its capital is tied up in a half share of an unbranded UK pub empire is a little awkward. But GrandMet has always been stronger on deal-making than strategy, and it is in any case not hard to imagine the pubs being sold off at a later date.

BT sale

Whatever the criticisms of the UK privatisation programme, the government is in one respect showing the way to the private sector. By employing its immense clout as vendor in the BT secondary sale, it has not only bypassed the underwriting cartel for domestic equity issues. It has also introduced the technique of stabilising the price in the after-market, something familiar from international bond and equity offerings. It is a moot point whether stabilisation, a source of long-standing controversy in the Eurobond market, is the best alternative to underwriting. But from the point of view of companies seeking funds, the more choice the better.

Generators

The row between the electricity generators and their customers over prices in the electricity pool looks like conventional commercial haggling, even if the picture is obscured by a canny appeal to the regulator. The customers may think they occupy the high ground, but wholesale price rises were always likely to follow last year's flotation. Arguably, those companies which neglected to hedge their bets by signing fixed-price contracts have limited recourse. The regulator is already looking for signs of duopoly abuse of the pool mechanism. It is hard to see how he can go much further.

Smaller companies

The UK stock market may have predicted five out of the last three recessions, but its instinct for calling the turn is more often right than wrong. Hence anecdotal evidence of increasing institutional interest in smaller UK companies deserves to be taken seriously. Experience of previous cycles shows the time to invest in businesses with a stock market capitalisation of £150m or less is just before the economy moves out of recession.

Smaller companies, as measured by the Hoare Govett Index, underperformed the market by a significant margin in 1989 and 1990, the first time this had happened in two consecutive years since the mid 1960s. So far in 1991 they have outperformed the FT-A All-Share by 2 per cent, with a notable 7 per cent relative jump in the last three months. There should be more to follow, especially from well-managed companies which have cut their overheads to the bone. Small company ratings, moreover, are still at a discount to the leaders. The problem for those who expect a repeat of the early 1980s is that boardroom statements remain gloomy and the political and economic cycles are out of joint. As always with small companies, patience will be called for.

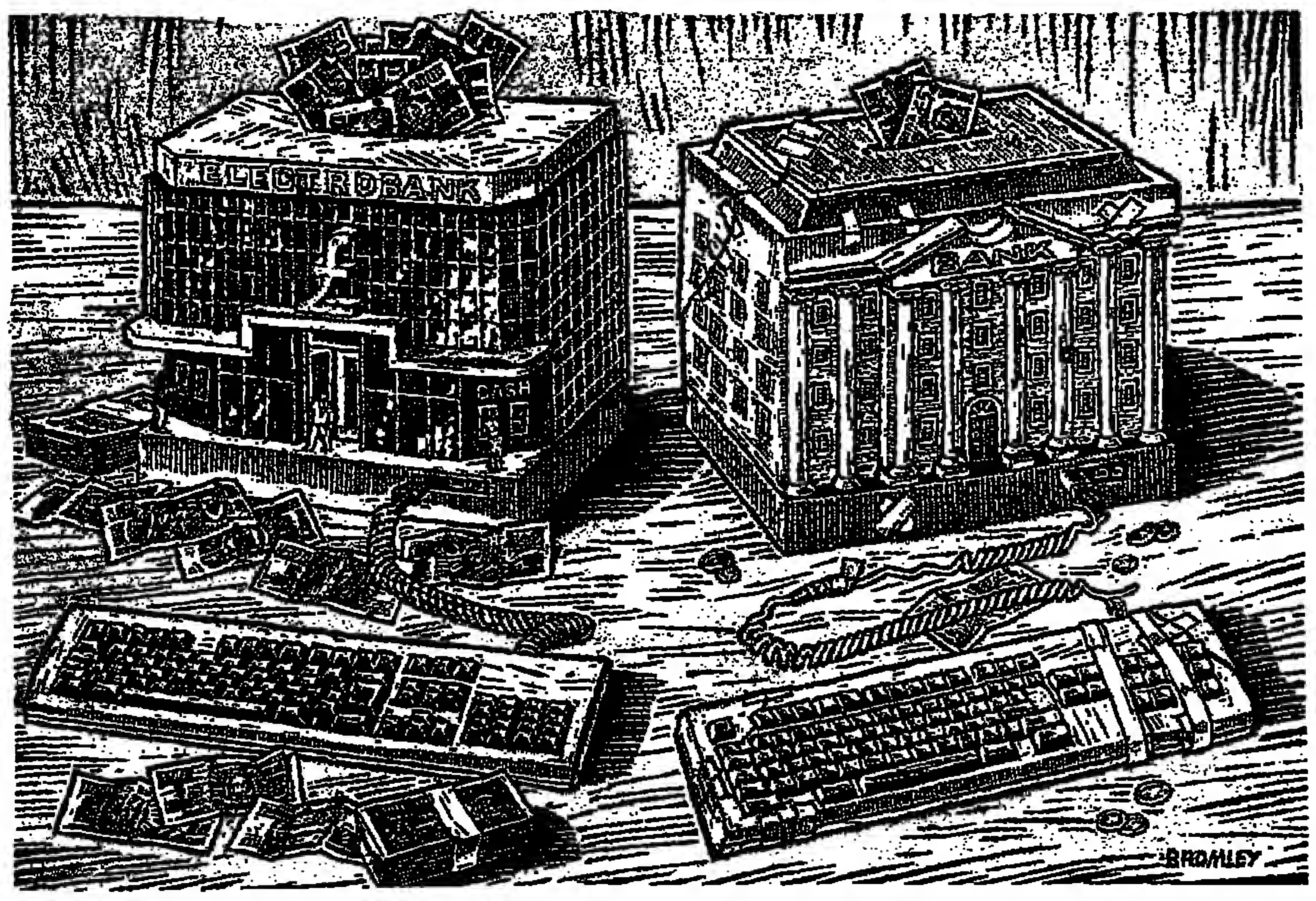
FINANCIAL TIMES SURVEY

COMPUTERS IN FINANCE

SECTION III

Tuesday November 12 1991

For many firms in financial services, computer technology as the route to instant competitive advantage is wearing a little thin. Consequently, while the financial institutions continue to invest in technology, they are doing so more carefully. **Alan Cane** investigates



Atmosphere of restraint

MAURICE XUEREB of the Mid-Med Bank of Malta tells a story of an early experience of automated tellers machines (ATMs) at his bank.

One morning while staff were replenishing a machine with cash they heard exasperated mutterings outside from a customer annoyed to find the machine unwilling to accept his card. "Could you please wait a moment," one of the clerks shouted spontaneously. "Oh God, it even talks," came the awed response.

However, for many institutions in financial services, computer technology as the *deus ex machina*, the silver bullet to confer instant competitive advantage is wearing a little thin.

After all, if ambitious use of information technology (IT) were enough to guarantee sustained success, Citibank of the US would be uncatchable. In spite of an annual investment in computer technology which exceeds $1bn, America's largest commercial bank is in difficulties.

It lost $885m in its third quarter this year, and elected not to pay a dividend for the first time in 179 years. It may have to sell, among other assets, Quotron, its loss-making electronic information service, to bolster its balance sheet.

Its troubles have little to do with its technology; more with its failure to curtail its commercial property loan book when the sector was clearly getting into trouble in 1990, its exposure to Third World debt and the effect of the recession on consumer spending.

It is unfair to spotlight Citibank's difficulties for it has been an enthusiastic standard bearer for IT over the years, but its predicament illustrates a point that is being rammed home to financial institutions the world over: that IT has a part to play in underpinning business processes but that it is no substitute for sound business strategy and decision making.

The result is that while financial institutions are continuing to invest in technology, they are doing so more carefully than in the past and with a closer eye on the benefits they hope to obtain.

In addition, the recession in the US, UK, Australasia and parts of Europe, coupled with the slowdown in world securities markets have all conspired to cast a pall over information technology in finance.

Computer companies still believe there is potential for growth in the finance sector. ICL, the UK-based company owned by Fujitsu of Japan, is moving into the automated teller machine business (ATM) in Britain, offering a range of machines developed by Fujitsu.

ICL, a market leader in retail systems, is not especially strong in banking although it has a number of building society accounts.

The ATM market is dominated by NCR, now part of AT&T with a joint venture between IBM and Diebold – Interbold – in second place; ICL believes it can capitalise on customer's desire for choice for supplier.

In spite of the atmosphere of caution and restraint, the amounts individual institutions are spending on computer systems are impressive.

They are investing to tackle a wide range of business problems. These include:

■ The integration of customer information files.

Leeds Permanent, the UK's fifth largest building society is spending £15m on a new database, a state-of-the-art customer information system designed to give a single view of each of the Society's 3.8m investors and 475,000 borrowers complex of relationships with the organisation. The advantages are expected to be so great that all the costs will be recouped within the first two years.

■ Hastening the development of new products and services.

Banca Popolare di Bergamo, an old-established Italian co-operative bank is moving to open systems and "client-server" architecture, replacing batch-orientated mainframes with a network of 1,800 workstations and 300 servers spread across the bank's 130 branches.

Client-server designs, where workstations on desks are networked with more powerful computers, can cut the cost of data processing considerably and allow more flexible introduction of new applications software to underpin new products.

■ Improving the productivity of sales people.

The UK branch of Sun Life of Canada is equipping each of its 1,200 sales people with a laptop personal computer with a view to streamlining administration.

They are able to provide insurance quotes on the spot and, through a quirk of human psychology, the figures provided by the computer seem more authoritative and accurate than those calculated manually.

Sun Life executives claim that the earnings of sales people using laptop computers are 25 per cent greater than those using paper.

Cost savings remain an important source of justification for IT investment. Barclays Bank in the UK has automated the cheque and credit handling processes in over 700 of its larger UK branches. The cost savings are expected to be an immediate £3m a year, rising to £8m a year by the middle of the 1990s.

Downsizing, replacing large, expensive machinery with smaller, lower cost systems based on industry standards is another area of interest.

The UK's National Westminster Bank, for example, is reported to to be experimenting with a supercomputer based on a "massively parallel" design. Industry standard or "open" systems offer lower cost hardware and freedom from reliance on a single manufacturer.

Image processing, a technology which captures documents in electronic form on optical disks, also promises to reduce costs.

Images held in electronic form can be stored, processed and transmitted as if they were any other kind of data. Image processing will reduce or remove much of today's expensive manual paper handling and reduce time wasted searching for files and correspondence. There are estimates that *it could result in productivity* gains of 25 per cent or more when applied to administration.

There are concerns that too much emphasis on cost reduction rather than strategic investment in computer technology can be damaging.

New research from the consultancy Computer Management Group (CMG) suggests that London is becoming *uncompetitive with financial* centres in Germany and the Benelux countries because of a lack of investment in computer technology.

More than 20 per cent of UK financial institutions are unhappy with their existing systems, CMG says, and 100 per cent are concerned about specific areas – especially the inability to obtain timely management reports.

In an interview later in this survey Mr Joseph de Feo, chief information officer for Barclays Bank reinforces CMG's concerns over the competitiveness of UK banking.

CMG says that years of overcapacity and narrowing margins have left companies unable to invest adequately in modern systems: "The money which is available is generally being spent on cost-cutting and short-term business aims rather than the longer term technological base".

However, there is evidence that financial institutions are beginning to use computers as marketing tools. According to research carried out by the Battelle Institute in Europe, retail banks are in a race to install integrated computer aided sales systems in their branches.

These systems would involve customer-orientated databases of the kind being installed at Leeds Permanent with artificial intelligence in the form of expert systems to assist in cross-selling to customers.

Continued on page 10

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Illustration: David Bromley

COMPUTERS IN FINANCE 2

Retailing heads the investment queue, writes **David Barchard**

A change of priorities

FLEXIBILITY and cost effectiveness are the watchwords these days when banks and building societies approach systems. With their margins under pressure, control of costs is the top priority for most retail banking groups.

"Much better understanding has been developing between users of technology and the suppliers of technology in the last few years," says Mr Bert Morris, chief executive for support services at National Westminster.

Investment in systems and computers is still very heavy. Mr Ron Price, managing director at Midland Bank, says he would expect a bank to spend between 12 and 20 per cent of its non-interest costs on information technology. This translates into a budget of about £380m a year. NatWest probably spends nearer £400m, and Lloyds around £200m.

About 60 per cent of the spending will go on production and running of hardware; 10 per cent on maintenance; and 30 per cent on systems development and innovation.

Most banks set up their original software systems in the 1960s, organising them around products. These systems are now being replaced by a new generation of customer-centred software with a relational data base at their centre.

Banks make most of their profit out of their domestic retail operations, and the relational data base is the key to selling their products in a high volume low cost environment, hence most of the banks' IT spending goes on their retail operations.

Improvements in processing have already been achieved in most banks. Midland Bank, for example, has merged its 30 data centres into three, and has nine main processing centres. Midland says it has achieved significant economies of scale in the last four years, which it hopes will save it £200m over 10 years.

NatWest runs all its processing – up to 20m transactions a day – from its main data centre at Goodmansfields with a tiny staff.

"The key thing we are doing at the moment is to build a relational data base for our 14m to 15m accounts. Our system is a bit old, but it is very reliable. What we are now doing is putting a relational base on to the software, and by July 1992 our branches will be able to access the system." says Mr Morris at NatWest.

"Some of our competitors are

Customer-centred software is replacing systems of the 1960s

just putting what they have got in the computer into their data bases. We are putting what we have got in the bank branches. It is going to make us more efficient and able to sell more valued-added products," he adds.

The two other prongs of the electronic revolution in retail banking are improved ATM performance and the increased use of PCs alongside mainframes.

ATM development is largely customer driven. Banks may feel that customer demand for ATM networks has now been largely met, but they are under constant pressure to refine the performance of the networks.

The application of PCs in retail banking is also expanding rapidly. Inside banks, terminals – a large UK bank may have about 25,000 of them – look like becoming the focus of a further set of changes.

"There is an increasing tendency to work around PCs, using the mainframe computer for standard processing and nothing else," says Mr John Carrier, deputy chief executive of Scarborough Building Society.

Developing software to take advantage of the PC explosion may take time. "I don't think the software tools are there at the moment," says Mr Entwistle, general manager for information in Lloyds Bank's technology division.

The banks are well aware of the costs of badly planned systems – or those built around a faulty perception of needs, such as the early mortgage systems used by the big four clearers. In the early 1980s, the banks went into the mortgage business without developing accounting systems. The result was that for several years some mortgage products were not as user-friendly for customers as those of the building societies, while the costs of administration were higher. Mr Richard Barrow, general manager for business information at Halifax, the largest UK building society, puts the case for in-house software development. It is cheaper, he says, "and we get the product up and going much quicker, contrary to popular opinion".

Meanwhile the retail banking world has yet to decide how quickly it will adopt technology which is already available but expensive.

The list is headed by image processing and smart cards. Attitudes towards smart cards have softened among UK banks in the last two years as the need to combat rising losses on card fraud through new technology become more obvious. "We have still gone mostly for Pin (personal identification numbers), because when you look at the cost of installation of equipment, Pin is the only thing that makes sense," says Mr Colin Gunner, manager of business development at Bull, the French electronics group. "But signature verification may be only two years or so away."

The number of experiments with dynamic signature verification and other biometric methods of holder identification is growing.

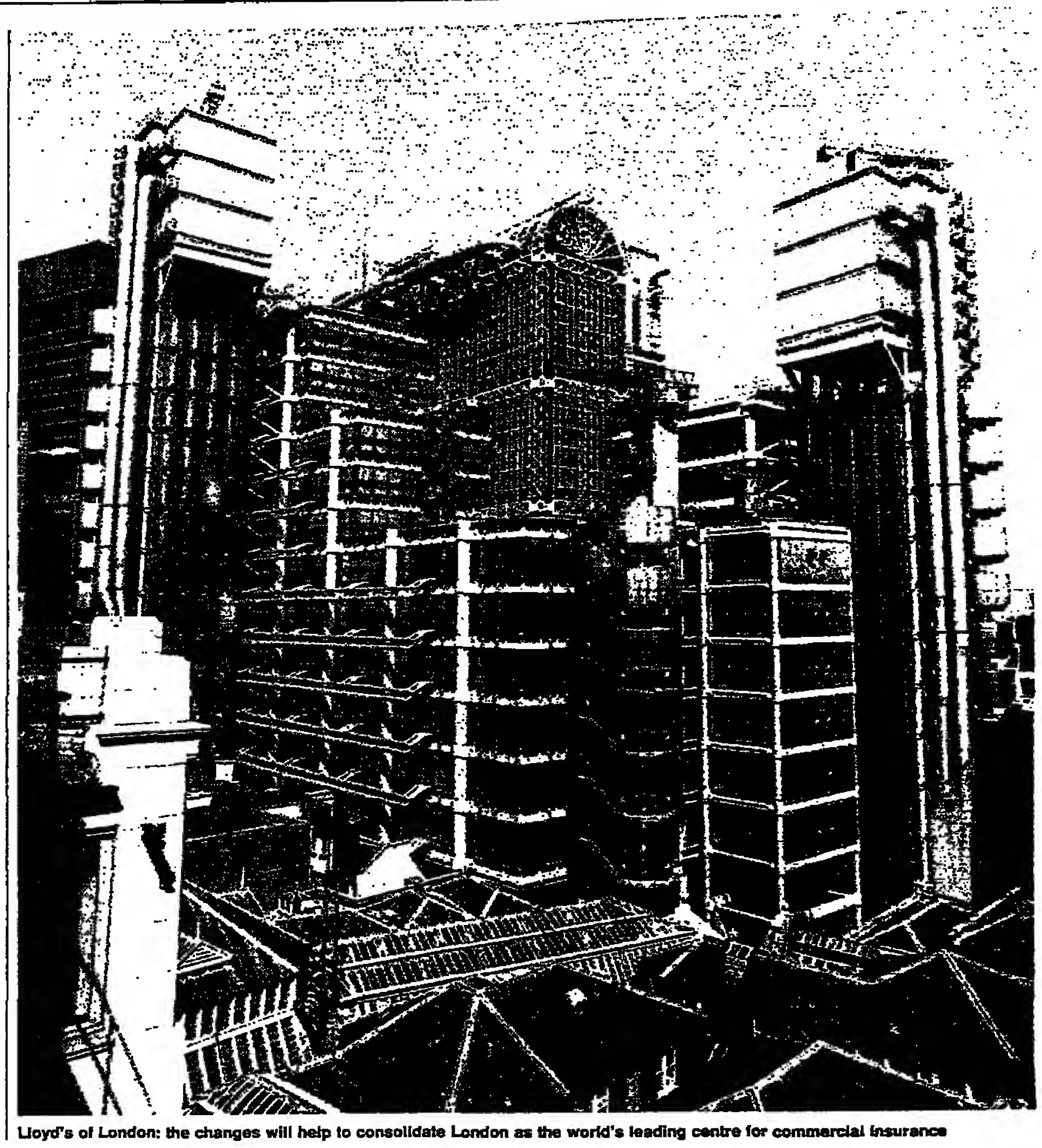
Most banks are still deterred by the huge cost of installing a new generation of smart terminals in the UK – as well as by the higher unit cost of microchip cards.

Mr Gunner's colleague at Bull, Mr Alan Laird, market manager of finance, is bolder. He believes that by 1995, 75 per cent of the UK population will be carrying smart cards. France's experience with smart cards is likely to pave the way for the UK. "We got a very positive recommendation for the smart card from the French banks this year," says Mr Gunner.

Image processing is somewhat similar. It is already in use on a small scale. About two dozen pilot schemes are being tried out, and last year NatWest began using some image processing in its credit card processing operations.

The consensus seems to be that image processing will arrive in a few years. "Image processing is going to come eventually with cheque truncation and the replacement of cheque handling," says Mr Entwistle.

The banks believe that it will probably be introduced first in paper-hungry operations like life assurance and share registration. Its use in cheque truncation would need a change in the law.



Lloyd's of London: the changes will help to consolidate London as the world's leading centre for commercial insurance

Insurers begin to grasp the electronic nettle

Market's complex structure is a brake on progress

LONDON'S insurers are steadily beginning to grasp the opportunities offered by new technology. After a number of false starts, a coherent approach is beginning to emerge which could eventually link the market's various trading bodies, bring unity to a highly fragmented market and help consolidate London as the world's leading centre for commercial insurance and reinsurance.

Although the advantages of paperless trading have been apparent to market leaders for some time, the complex structure of a market which supports the businesses of several hundred companies, Lloyd's syndicates and brokers has held up the pace of change. At Lloyd's more than 300 separate insurance syndicates managed by more than 100 agency groups generated premiums of around £5.5bn in 1990.

More than 250 companies

After some false starts, a coherent approach is emerging which could unite a fragmented international market

have operations in the city and produce a volume of business roughly equivalent in size. To complicate matters the companies are divided into two groups.

Over 100 marine and aviation insurance companies and subsidiaries are members of the Institute of London Underwriters, an association that since 1986 has occupied its own custom-built offices at Leadenhall Street near Lloyd's.

A roughly similar number of companies, specialising in more broadly based property and liability insurances and reinsurances, are members of the London Insurers and Reinsurers Association and have their plans to set up a separate building cum trading centre – the London Underwriting Centre.

Lloyd's syndicates and London market companies exist in a kind of competitive equilibrium, sometimes competing against each other, sometimes cooperating by joining forces to underwrite risks on a syndicated basis. On some larger risks several dozen insurers may write a separate slice of the business.

A further 100 or so insurance and reinsurance broking companies – who act on behalf of insurance buyers – are also active. Every working day squads of insurance brokers carry heavy binders of documents between their offices and the buildings housing Lloyd's, the ILU and the various other insurance company offices. All this adds up to a highly labour intensive and complex marketplace, which could benefit enormously from the introduction of facilities to handle claims and conduct underwriting operation electronically.

Important progress was made in 1987 when Lloyd's and the companies selected IBM as a preferred supplier for the London Insurance Market Network (Limnet), a message system which allows brokers and underwriters to communicate electronically with each other and to which 850 organisations now have access.

But according to Viscount Chelmsford, chair of Limnet, it was not until 1989 before leaders of London's various market organisations realised that there ought to be cooperation rather than competition between underwriters at Lloyd's and those in the insurance companies.

"The great truth finally dawned that if we acted together to drive down our expense ratios then London as a market place was improving its competitive edge against the rest of the world."

Developments have been quickest in the area of claims and settlements. Over 35 per cent of all company claims are handled on the LIMNET. Progress at Lloyd's has been slower but in July 1991 Lloyd's agreed to merge the market's three separate claims offices – each of which employed their own separate electronic systems – into one single centre. Separately in association with the Lloyd's Insurance Brokers Committee Lloyd's is developing a unified claims advice and settlement system.

By the end of this year most of Lloyd's back room operations – including the registration and accounting of premiums and claims received – will be conducted electronically, a move which will lead to the phasing out of computer punch cards, of which until recently Lloyd's was one of the world's biggest users.

Already claims settlement times have been reduced from three to one week on average.

The next stage involves the development of electronic trading whereby business could actually be placed electronically.

Early efforts by Lloyd's to introduce a system to allow for paperless trading ran up against widespread opposition from underwriters and brokers who believed that the new methods would eliminate the face to face contact which they believed to be an essential part of their business.

Lloyd's commercial success – like that of the London insurance market as a whole – has been based on its reputation as a centre where underwriters can insure goods and exposures with very high values - ranging from ships and their cargoes to oil rigs and space satellites. The terms of these transactions vary from case to case and are therefore negotiated individually.

Subsequent efforts to develop electronic trading have taken these problems on board. Lloyd's network initiative (known as strategy for networking - or stratnet) seeks to make electronic trading a support for face-to-face negotiation of deals.

Routine business such as when an underwriter subscribes to a risk whose main terms have already been negotiated by a lead underwriter, or writes low value high volume risks (such as motor insurance) could be carried out entirely electronically.

In November 1990, the committee coordinating the various new technology initiatives

Underwriters and brokers are already communicating internationally in a network which could become global

being developed by Lloyd's, the ILU, the brokers and the companies agreed to work on the development of a joint marketing initiative (jmi).

The specifications for the first phase of the jmi have now been agreed, systems to allow brokers and underwriters to transmit and receive messages via Limnet are being tested and the system could be launched - on a trial basis – as early as April 1992.

A handful of underwriters and brokers are already communicating internationally via Limnet and there are clearly hopes that the network can become part of a broader global network. Representatives from the London market are holding regular tripartite meetings with their counterparts in overseas markets in order to develop common network standards.

Talks have been held with RINET, a Brussels-based network, which is backed by nearly 100 companies from 18 countries, the US brokers and Reinsurers Association and the Reinsurers Association of America.

Viscount Chelmsford sees such cooperation as the best way to ensure that the London market's data standards become international. That will reduce the expense of change and allow the UK industry "the widest possible scope for communications with the outside world".

Richard Lapper

COMPUTERS IN FINANCE 3

ELECTRONIC TRADING

Systems are go with motor insurance pioneering the way

COMPUTER NETWORKS are fundamental to the development of electronic trading of insurance, a concept beyond the embryonic stage in the UK: systems are up and running with motor insurance pioneering the way.

The volume of insurance sold through electronic trading is still low but is now set to accelerate. Electronic trading is part of a wider concept called electronic data interchange (EDI) in which information is sent over a computer network linking insurance brokers and insurance companies.

How does electronic trading

The volume of insurance sold through electronic trading is still low but is set to accelerate

work? Suppose you go into a local EDI-equipped insurance broker to insure your car. The broker enters your details into a computer terminal whose screen then shows example premium quotes from a range of insurance companies or syndicates. You select a particular policy and the computer then asks supplementary questions, validating each answer as it is entered via the keyboard. Once all details have been entered, the terminal prints out a proposal.

The broker files your signed proposal, and under EDI, details of the transaction are automatically sent down the network to the insurance company's in-house computer system. The only paper involved is that printed out at the broker's office.

The EDI concept goes beyond just transacting new insurances ("new business" in the jargon). If you change your car or make a claim, mid-term adjustments to your insurance are needed, or you might want to renew your policy.

Once you notify the broker, the EDI link to your particular insurance company enables these adjustments to be handled easily – claims can be tracked on behalf of the customer from the broker's terminal.

According to Mr Nick Southan, business development director at Policy Master, a leading supplier of EDI computer systems, the EDI concept has been around for a number of years but has not been a commercial success until recently.

Two obstacles have held development back. First, the need for standards – with 12,000 brokers and several hundred insurance companies in the UK it is clear that chaos would result if a network linked each proprietary computer system without standardisation. Standards, which concern the format of information being transferred over the network, have been addressed since the launch of Brokernet in 1986.

Brokernet's constituents – the network provider International Network Services in Sunbury-on-Thames, Middlesex, computer system suppliers, and brokers – drew up what became *de facto* standards for the whole industry following endorsement by the AA, a leading motor broker, in 1988.

The next obstacle, which the industry took longer to grasp according to Mr Southan, was the need for validation of the information being transferred. It is no good speeding up the information flow between brokers and insurance companies across the network if that data is incorrect – you just speed up mistakes. Software systems such as Policy Master's Validated Business System (VBS) validate a client's insurance information as it is entered at the broker's computer terminal.

It is estimated that in the traditional paper-based insurance market between 40-50 per cent of policy documents have to be returned to the broker from the insurance company because of incorrect information.

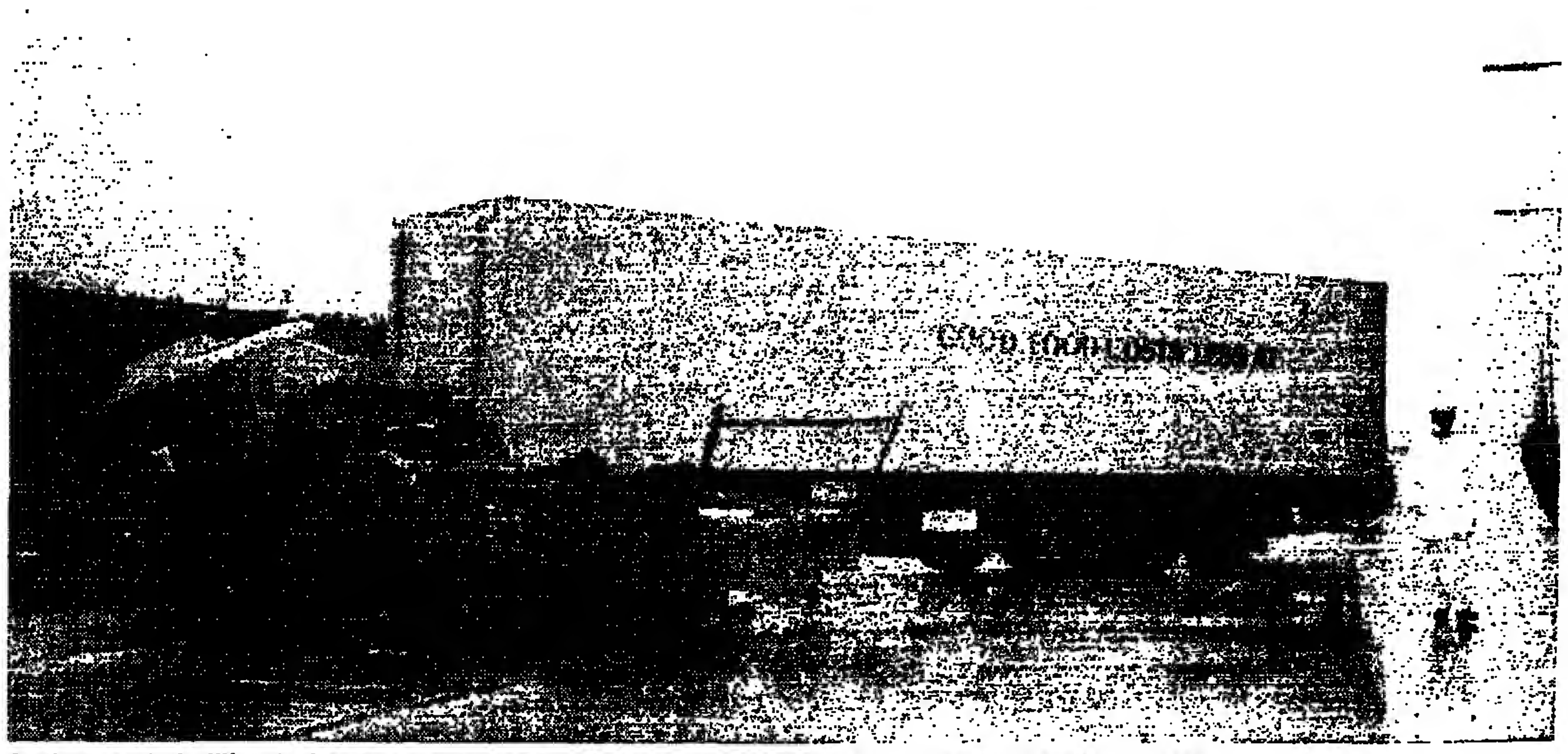
Validation eliminates these mistakes at source and EDI then speeds flow of this formatted, correct information. With these obstacles cleared, EDI and electronic trading within the insurance industry are poised to take off. There are now several competing initiatives among providers of both networks and computer systems, and the idea is being extended beyond motor, to cover household, life and commercial insurance.

What are the advantages over traditional paper-based systems? For insurance companies, administration costs are reduced with little or no paper flows from the broker – and there is no duplication of "data entry" tasks. It is the broker who provides documentation to the client, again reducing costs for the insurance company. Brokers seem to be shouldering more of the responsibility. However, they also benefit from reduced paper work and the elimination of mistakes.

Under systems such as VBS, brokers' computer terminals handle many of the back office

The idea is being extended beyond motor, to cover household, life and commercial insurance

functions, for example the routine clerical tasks such as notifying clients of renewals. Increased efficiency and additional services such as claims tracking provide a better service to customers which should attract business in an increasingly competitive market. Brokers may also benefit from closer links with insurance companies leading to more marketing co-operation, and from the use of electronic



Crash course: in the UK, motor insurance has led the way in electronic trading and accident claims are now easier to process

mail services that EDI systems offer.

Networks are currently operated by INS, British Telecom Insurance Services (BTIS) based in Hemel Hempstead, Herts, IBM and AT&T Istel. These may be divided into two broad categories – first, "dumb" networks such as INS in which much of the processing power is held in the computer terminal, generally a Personal Computer, at the broker's end. Second, "value added" networks such as BTIS where currently the broker's terminal is little more than a viewdata screen with processing carried out within the network. Software systems are provided by many companies – among them Misys Dataller, Quotel, North Park and Policy Master.

Ms Niki Newman of INS says that motor was chosen as the first area for the introduction of electronic trading and EDI because of the low margins and high overheads in the business. Standards have been developed for motor "new business", and are being developed for "mid-term adjustments", claims and renewals. INS now has 300 brokers, 23 insurers and the Lloyd's market on board. It has seen the number of transactions across the network grow from 20,000 a month in 1990 to 140,000 in September 1991.

Ms Sue Norris, manager of BTIS, says that while the system "at the moment is very much a viewdata service", it is being expanded to include an EDI product specifically for the insurance community, including a PC interface and back office systems – it is "moving towards total transaction support".

Mr Paul Cheall, head of personal networking at Norwich Union, says that his company is involved in extending the idea beyond motor insurance. Norwich Union is developing a self-quote, self-policy-issue system for its Contents Plus household insurance product. However, he is cautious about

Motor insurance was chosen for electronic trading because of low margins and high overheads

whether electronic trading will be the predominant method of personal insurance sales five years hence.

He emphasises the length of time needed for standards to be set, and the level of investment required.

Mr Cheall argues that Norwich Union "spent a fortune building a black box" for the company's internal computer system to pull information from the network for motor insurance new business. It is doing the same for motor "mid-term adjustment" information. He questions whether all insurers will be prepared to make such an investment. He also says that some brokers will survive without EDI.

Others think brokers will find it difficult to survive if they do not take the EDI concept on board. One Norwich Union wag entitled a paper on the subject "Edi or Die!", while Mr Southan argues that "in five years' time people who are not using such systems will not be in business".

Mr Keith Platt, an insurance broker, has developed a system which takes the electronic trading concept a stage further by moving the point of sale outside the broker's office altogether.

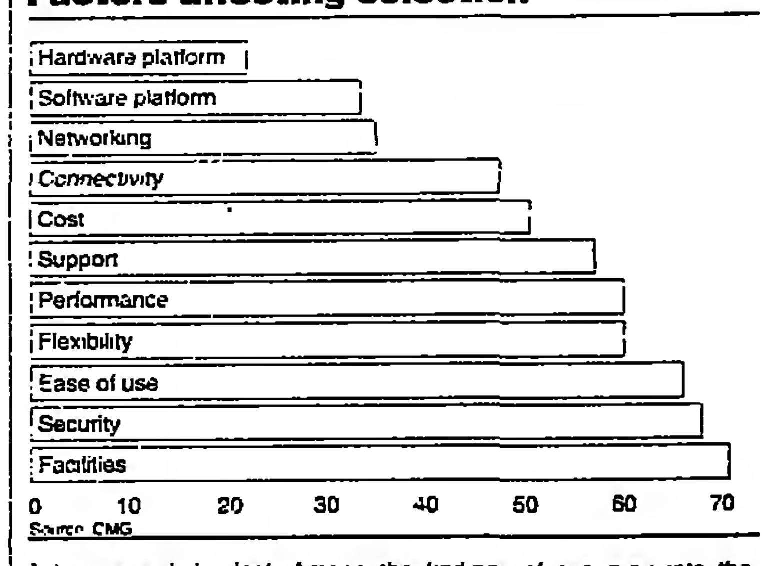
His Brokerchain Link system involves the use of do-it-yourself terminals, similar to bank cashpoint machines. He has set up a pilot scheme in Yorkshire involving four machines sited in supermarkets.

The customer is led through a series of questions by the "expert system" menu driven software. This gives access to alternative quotes, from which the customer can choose a policy, and then have a proposal and cover note printed out by a laser printer contained within the machine. Payment can be made by credit card.

Eight insurers are involved at the moment although Mr Platt expects another 20 on board by the next year. The system is only for motor at the moment although "once motor has been developed the others are easy." Mr Platt says he is trying to "graft brilliant technology on to a 200-year-old industry".

Simon Reynolds

Factors affecting selection



Actions speak loudest. Among the findings of a survey into the information technology requirements of financial organisations are listed the considerations to which buyers attach high priority. The survey was conducted by Computer Management Group in March-June 1991, and a range of 520 organisations in the UK, Germany and the Benelux countries were consulted. Overall response was 22.3 per cent (116 organisations), and participants comprised a mix of operational and IT staff, with a leaning towards the former. Figures on the bottom line refer to the number of respondents who attached a high priority to the considerations in question, thus nearly 60 out of 116 organisations attach a high priority to flexibility, and so on.

COMPUTERS IN FINANCE 4

Pictures by Alan Harper and Glyn Genin

Between 1967 (left) and 1986 (right), the London Stock Exchange saw many changes. But Big Bang, in October 1986, pushed share trading off the floor and on to the telephone

SECURITIES MARKET

Fundamental questions

FIVE years ago, the London stock market took its first big technological leap forward. Big Bang, in October 1986, pushed share trading off the floor of the Stock Exchange and on to the telephone, with the support of SEAQ, the exchange's automated quotations system. Spending on front-office dealing systems spiralled.

The next big technological advances in the equities market will be less visible. Yet their effects are likely to be more profound, raising some fundamental questions about the role played by all intermediaries, from broker-dealers to the exchange itself.

Two areas are under development: settlement (the process of exchanging cash for shares) and trade confirmation (the vital link between trading and settlement, the point at which deals are agreed and passed to be settled).

The first of these, settlement, has received the greatest attention, thanks in large part to the Group of 30, a US-based think tank of former economic and financial policymakers.

G30's recommendations for the development of national securities settlements systems to a common international standard have set the yardstick against which developments around the world are now being judged.

G30's timetable may be proving over-ambitious, with its target of settlement three days after a trade takes place (known as T+3) likely to be missed in many countries, but the G30 initiative has at least galvanised national settlement authorities around the world into action.

One of those to miss the T+3 deadline will be the UK. London first looked at automating its paper-based settlement system in the early 1980s, but was sidetracked by Big Bang.

It is only in the past two years that it has rediscovered the will to push through a development whose cost (well over £150m for the industry as a whole) and unpopularity (many brokers, listed companies and investors fear it will be detrimental to their interests) have made it probably the most difficult large-scale network to be built in the financial industry.

The delays have become legendary, but short of disaster, the UK settlement system (Taurus) will be ready for testing next spring.

Dematerialisation (when share certificates and transfer forms disappear from the UK settlement process) will be only the first step.

More significant will be the later linking of payment and stock clearing systems, a necessary step in the development of "delivery versus payment", or DVP (when cash and shares move at the same time, and buyers and sellers are assured good delivery of their stock or cash).

That, claim many in the securities industry, will play into the hands of banks whose control of the payment systems will give them an important advantage over independent brokers.

Already, brokers are faced with the likelihood of having to obtain bank guarantees to back all the purchases they make through Taurus.

If Taurus disturbs settled relationships in the securities industry, the development of automated trade confirmation could be far more profound. It could be one key step in allowing investment managers to side-step broker-dealers altogether, enabling them eventually to trade between themselves and to plug directly into settlement systems such as Taurus.

At present, banks and brokers retain control over the financial messaging system, Swift, through which trade details are frequently communicated. Institutional investors had asked to be allowed into the system, but were rejected after a vote among Swift's existing members this summer.

Instead, institutions are tied to a variety of communication methods – telex, fax, banks' proprietary systems – through which to communicate or receive communications about trade details.

A group of powerful institutions is now pushing for a purpose-built automated trade confirmation system, to enable institutions to input trade details to a standard format and receive confirmation from any other institution with which they deal.

If it ever materialises, this network could pose a competitive threat to both broker-dealers and exchanges. It could provide a means by which institutions could match trades between themselves, by-passing existing intermediaries altogether. The idea is not new, of course: it was tried in the UK in the early 1980s through Ariel, with little success. The drive to create a trade confirmation network, however, could prove a stronger platform.

The institutions' initiative has at least prompted others into action. The Association of International Bond Dealers has said that its own trade confirmation system, Trax, will be extended to international equities. Trax is already linked into the two international securities clearing and settlement systems, Euroclear and Cedel, which were built to service the Eurobond market but have extended into equities as well.

The London Stock Exchange has also toyed with the idea of automated trade confirmation on several occasions, but appears to have held back due to a lack of enthusiasm on the part of its own broker members.

The sight of institutional investors taking the initiative themselves is likely now to prompt the exchange to explore the idea again.

Taken together, developments in trade confirmation and settlement could amount to a significant change in the way securities business is carried out. They will also entail significant new spending on technology by an industry which has been very short of profits in recent times. The costs and the risks of remaining in the industry are rising all the time.

Richard Waters

BUILDING SOCIETIES

Holding on against banking Goliath

THE RACE between banks and building societies to develop computer systems equal to the needs of the markets in the 1990s is something of a David and Goliath contest. The advantages might seem to lie with the banks – but building societies, even small ones, seem to be holding their own.

The large clearers tend to argue that their vastly larger systems have to be superior, though there are some areas – mortgage processing is one – where the building societies' more customer-focused approach seems to have given them the advantage.

"Building societies are running a lot fewer accounts with a much less complicated base, they are coming at things from a different angle from banks like ourselves and I think we have a massive advantage, they are light years behind us," says one clearing banker.

Industry analysts are less sure that all the advantages lie with the banks. "Building societies have stepped up their IT budgets substantially in the last two years," says Mr John Wriglesworth, building society analyst at UBS Phillips & Drew.

He estimates that the total spending of building societies on IT more than quadrupled between 1985 and 1990, rising from £69m in 1985 to £240m in 1989.

Societies tend to point out that they have had real time counter top branch terminals in place since the early 1980s, while most banks still do not. Their systems also appear to be much more flexible than those of the banks.

"The bank systems are like patchwork quilts which have been constantly repaired and modified since they were originally set up in the 1960s," says one banker.

Building societies have more flexible systems and have been able to offer products tailor-made to the needs of their customers.

They also seem to have reaped some advantages from being late-comers to retail banking. "Building societies came into personal banking without the handicaps that we (the banks) had of possessing automated systems for many years.

"As a result, although we were the original ATM market leaders, we found that Link could provide a competing service at a quarter of the price, using mature technology," says an IT specialist at one of the Big Four clearers.

He believes that when the banks do manage to interface with their customers as effectively as building societies do, the latter will find themselves being severely squeezed in the market.

Halifax, the largest society, spends less than £100m a year on information technology according to Mr Richard Barrow, general manager for business information, but it feels it has long been ahead of the banks in areas such as central data bases on its customers. "We have had a customer data service for the past ten years," says Mr Barrow.

Branch automation, including the introduction of the Phillips financial terminal system, putting a PC sales force system on all its terminals, and software development are among Halifax's priorities, inside a general drive to cut costs and enhance branch services.

The society believes in arranging its software development in-house where possible.

With 14.5m customer accounts, Halifax's systems have to grapple with challenges that are at least as great as those of the banks. It already uses its customer data service for direct mail and other sales functions.

"We think the value of this sort of operation is a bit overplayed. Customers don't want to be cross-sold all the time," says Mr Barrow.

"Our objective is to drive the technology as far out as possible to meet the customer, so we try and capture all data at source."

Halifax is the industry's leader, but small societies also exude confidence about the ability of their computer systems, though the variety of building society systems causes the industry one serious problem.

Mergers between small and medium sized industries are a regular feature of the building society world as the leading players in the market try to form financial services groups with a realistic chance of surviving to the end of the 1990s.

One of the main snags in many mergers – most notably that between Nationwide and Anglia building societies in mid-1980s – is the work of integrating the systems of the merging societies. It can often continue for many years after the merger.

On the other hand, small societies are often remarkably self-assured. Mr John Carrier is deputy chief executive of Scarborough, the 38th largest society by size in 1990 with assets of £348m.

"Without any doubt we can match the service offered by the big four and in some instances improve on it," Mr Carrier says.

Scarborough has recently installed a ICL series 39 level 55, a dual processor computer centre, at a cost of £2m, and replaced everything from the main processor downwards.

Software development cost £2.5m over a five year period.

"We have put a lot of time and effort and resources developing the system we have. We now have a tried and tested system and because the software is our own and we are not reliant on anyone else, we are incredibly flexible," he says.

One of the main software functions developed by Scarborough cover financial reporting. Many small societies find it increasingly difficult to prepare information in the right format.

ICL Omnia and Unysis have prepared software packages which cater for this need, and Scarborough is now marketing its own software to other societies through Gresham Telecomputing.

On the other hand, Scarborough – like most smaller societies – has stayed out of the ATM market, regarding ATMs as too expensive to be cost-effective.

Several building societies are now considering launching a micro-chip card which will carry all the details of customer's accounts and some "lifestyle information" as well as provide a more personal service.

The smart card may also ultimately replace the customer pass book electronically.

The unit cost of a smart card would probably be around £5 to £7 but that no longer seems to be the issue that it once was. Added value from an enhanced customer relationship may make societies willing to absorb the additional cost of smart cards.

Smaller building societies with a strong regional base may be able to set up their own regional cards by linking-up with a local retailer. A strong local branding could be used to enhance customer loyalty, perhaps by adding on an incentive bonus point scheme.

David Barchard

COMPUTERS IN FINANCE 5

The role of artificial intelligence in the next 10 years

Less hype, more appeal

NOW THAT the dust has settled on the artificial intelligence (AI) explosion of the late 1980s, a clearer picture of the role which AI will play in the finance industry during the 1990s is starting to emerge. Does AI have real, lasting benefits that no bank can afford to ignore?

This question is best answered by examining AI in relation to other forms of decision support technology: that is, screen-based systems which provide banks and other financial institutions with decision-related information.

The explosion of interest in AI during the 1980s principally focused on commercial banking applications, but some of the most successful applications of AI have been in the retail sector, with loan application or credit card transaction application being notable areas of success.

There is a clearly-defined hierarchy of decision support information. Screen-based information starts by being very basic (such as prevailing prices of stocks). The next level of information involves the computer system re-presenting the basic information in various "value-added" historical or thematic configurations.

Some banks have spent considerable sums developing systems that go one very important step beyond providing basic prices and value-added analysis of this information: these provide specific guidance on decisions.

The step up to advanced decision support systems that give such guidance may not seem very significant. However, the difference between using a computer as means of

Systems that provide specific guidance on decisions

getting rapid access to a wide range of information, and using a computer to make actual recommendations, is as great as the difference between driving a car to work, and asking the car where it would like to go.

There are two main categories of advanced decision support systems. First, there are those which embody a particular mathematical theory of how the variables in question – such as stock prices – are likely to change in the future.

The second category of advanced decision support systems consists of those systems which seek to emulate the human subjective decision-making process. Such an ambitious objective has led to these systems becoming known under their generic name of "artificial intelligence" systems.

As with the mathematical category of advanced decision support systems, there are two principal subsets of AI: the rule-based system and the neural net.

Rule-based systems derive from the idea that one way to try to replicate human intelligence in a computer system is to program the computer with rules (or, as they are often called, heuristics) which supposedly govern the thought processes of a human in a particular field of expertise.

Supposedly is the operative word; although clearly some aspects of expertise in retail and commercial banking decision-making can be effectively represented in a rule-based form (loan authorisation being a good example), much human expertise is intuitive and tacit – to use the technical term – and as such is not available for articulation and embodiment in a rule-based system.

Many rule-based systems have useful applications within the financial sector, although the extremely high level of judgmental skill required in the trading or investment management functions market means that these are environments where the judgment-forming ability of rule-based systems will always be severely tested.

Neural nets – crude attempts to simulate in computer software the nerve cell/nerve fibre operation of the human brain – have on occasion caused considerable excitement and interest among computing staff in the finance sector who believe that these nets offer the best possibility to date for replicating human thought.

However, many people who champion neural nets do not fully understand them. A problem with applying neural nets in the financial world is that computer programmers have very little understanding of how to digitise – let alone process – those subjective thoughts and impressions which play such a key role in the thinking of an expert in so many areas.

It is difficult to get a handle on the precise number of rule-based systems that are currently being used within the finance sector, simply because almost all these developments are proprietary and usually shrouded in considerable secrecy.

There have been a few notable successes in applying rule-based systems to loan or credit card authorisation; the best-known example being American Express's "Authorisers' Assistant" which is a powerful, rule-based decision support system for transaction authorisation. Many Wall Street and City of London commercial banks are involved with rule-based systems at some level, even if they have not reached full deployment.

How is AI likely to develop within the financial industry in the future? All the indications are that the hype of the late-1980s – which suggested that AI systems amounted to a sort of panacea – has burnt itself out, and left in its place the widely accepted and respected notion that AI systems do indeed have an important role to play within the financial sector, but primarily as constituent elements

The eager, emerging banking sectors of eastern Europe

of systems which use a range of more conventional analytical tools – including mathematical tools.

Such systems would have an appeal in all the world's financial markets, including the emerging banking sectors of eastern Europe, where, according to Mr Alex Dembitz of Geneva-based IT consultancy IDOM – which is a market leader in implementing banking systems in Hungary and Czechoslovakia – "commercial banks are eager to maximise the functionality of their new systems, and AI systems are already on many banks' shopping lists."

The more powerful the tools become, the more likely it is that they will be integrated within an overall decision support resource.

Mr Joseph Rosen, chief information officer of New York-based Dubin & Swieca Capital Management, which specialises in managed futures and multi-asset fund management, says: "The advanced decision support industry may eventually become a victim of its own success, with the advanced portions of decision support programs being seen as so useful – for all their limitations – that they start to lose their own identity and become seen as part of the trading or fund management organisation's overall front-office weaponry."

James Essinger

Andrew Jack examines the increased use of image processing

How scanners boost bank productivity

WHEN NatWest was planning the launch of its Visa credit card service in 1988, it expected to receive 175,000 applications during the first few months. Within six weeks of launch, it was sent 550,000.

The move would have been made far more difficult if the bank had not decided to invest in a multi-million pound image processing and management system to help improve both the speed and quality of its administration.

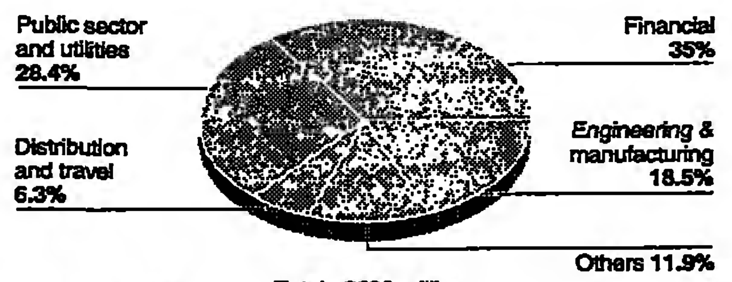
Over the past few years, interest in document image processing by major corporations has grown sharply. Companies' pilot programmes are rapidly being expanded into full-scale installations. Nowhere is demand greater than in financial services.

In essence, image processing involves converting the visual image presented in a document form into a digital pattern – identical to the process used in a fax machine – which can then be stored electronically and manipulated with the use of computers.

From humble beginnings with 20 screens at the start of 1989, the NatWest equipment in Southend, Essex, has been expanded to house 128 terminals. Three image scanners "read" the letters, which are processed overnight and ready to be acted on by staff the day after receipt.

Today it processes all incoming correspondence for Access and its own Goldcard as well as Visa. Given the extra letters generated by credit card charges and financial products recently, that means typically 18,000 to 20,000 items every day. It now stores more than 60m records on magnetic disk.

European market by end-user - 1991



Source: Frost & Sullivan Total : $532 million

Mr Peter Holmes, manager of special projects at NatWest Card Services, estimates that image processing has boosted productivity by at least 25 per cent.

But he stresses that the quality of service is as important as increasing the work-flow. "Card holders are really impressed when they ring up and you can say 'I have your letter in front of me'," he says.

Previously it could take several hours to fetch the letter being referred to by a caller. The bank would then have to incur costs calling the inquirer back. Now the customer's file can be on an operator's screen within about 40 seconds.

Letters are scanned electronically in batches and transmitted directly to the computer terminals of staff who process the letter on their screen. At this point, the scanning is checked for quality: only about 8 per cent fail the process and have to be screened again. The indexers then tap in the customer's account number, and classify the type of inquiry before sending it to another operator.

According to a study completed in July for Frost and Sullivan, the market research company, sales from the electronic image management industry in Europe are due to expand from $169m in 1989 to $2.2bn by 1995. In the UK alone, sales are expected to reach $368m in that year.

During 1991, the total market for image management products stands at an estimated $532m. The single largest user is financial services: $186m or 35 per cent of the total. That proportion should grow to 38 per cent by 1995.

That partly reflects the tremendous through-put of paper generated by the financial service sector; as well as the size and resources available to the companies involved, which are willing to invest in the equipment required.

Mr Mark Churchward, divisional manager of the document management division at Olivetti, says that only in the past year have many large companies begun to come out of the closet and adopt – or admit that they have begun to adopt – image management systems.

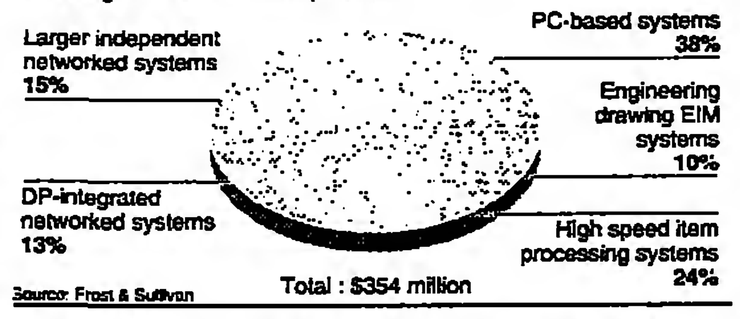
"A lot of businesses have kept a secret of their image processing," he says. "Others have been a bit shy, because they want to see what their competitors were doing first."

The investments are being made despite the substantial costs involved, which he estimates at £500,000 or more for a basic installation with 30 to 40 workstations. The sums are justified by typical productivity boosts of 30-50 per cent, he explains, so the equipment pays for itself within three to four years.

He stresses the importance of his unit's title: the management rather than simply processing of images. More than half of the productivity savings come from what he calls "a re-engineering of the business process".

European EIM market by product group - 1990

Percentage of total annual shipments



Source: Frost & Sullivan Total : $354 million

Royal Life Insurance is at an earlier stage of implementation than NatWest. It uses image processing for its executive or "top hat" pensions section, which deals with the handful of people at the top of an organisation with specially-tailored benefits.

That means about 125,000 individual contracts from about 16,000 corporate clients. About 40 of its 63 staff use the equipment: 27 workstations, two scanners, and a "juke box" which stores the records on optical disks. There are about 115 queries a day. Not all incoming letters are yet scanned and processed, but that is expected to happen this month.

Mr Gerry Irwin, pensions administration manager, estimates that whereas it used to take three or four months to train staff over the procedures used in the department, they can now be reasonably competent and able to work on the system in three or four weeks.

The objective from the start two years ago was to improve both speed and quality of document processing. "I think we have achieved all we set out to," he says. Files which used to take weeks to access can now be retrieved and dealt with in two or three days. "People are noticing the difference," he says.

He acknowledges that it was a risk to launch a pilot programme on executive benefits, one of the most sensitive parts of the insurance business. But he says that the tasks involved are well defined and lend themselves to automation.

He also admits that implementation was much tougher than anticipated. "I don't think even we realised how much work we would have to do," he says. "We were slowed down at first, but now we have a system which can do some fairly amazing things."

Document processing may soon be able to scan and store images in colour. As networked computers grow, imaging systems are likely to be dispersed to regional sites. In the longer term, optical character or mark recognition devices will be able not simply to scan and store images, but to read text so that it can then be instantly manipulated on computers.

Mr Holmes has no doubt that image management is essential within the sector. "I think it's something the whole financial industry has got to adjust to," he says. "We can no longer just use manual methods. Technology has got to take over."

COMPUTERS IN FINANCE 6

Eastern banks are racing to automate, writes **Martin Whybrow**

All aboard for capitalism

THE GOVERNMENTS of all the former Eastern Bloc countries have recognised that an efficient and automated financial infrastructure is essential for economic revival. The problem is how to achieve this.

Starting almost from scratch, priorities have to be worked out and the correct solutions must be chosen first time for there may not be a second chance.

A lot of banks are desperate to automate. In most countries there has been a rapid shift from a handful of large state-owned banks to a multitude of small independent institutes. In Hungary, for example, seven banks were created overnight out of the central state bank.

In Bulgaria, there was formerly one central bank, one foreign trade bank and one savings bank, all state owned. Now there are more than 80 banks.

The situation everywhere is very confused. Most banks are trying to operate in every market, foreign exchange in particular. Some will have to specialise, some will forge ties with banks in the west, some will merge – there are already signs of geographical groupings – and some will not survive.

The Soviet Union's situation is the most complex. It now has more than 2,000 banks but, as the republics seek independence, it remains to be seen who will regulate them. Establishing a central bank is a priority of all the would-be republics but many banks are operating without any effective recourse to a regulator.

There are moves in all countries to set up clearing systems and stock exchanges, both essential for the long term economic future.

Progress varies considerably: some have not yet moved beyond the discussion stage but others are embarking on projects. Hungary is leading the way, having worked out the funding, timescales, technology and suppliers for an automated giro inter-bank clearing system.

Most banks are trying to operate in every market

The main emphasis in the banking sector has been to put in place the central back office systems which handle the core activities such as general ledger, accounting and any foreign exchange and money market involvement.

Branch automation in particular often has to wait. Although some banks in Poland and Hungary have installed their first automated teller machines, these are not a priority of most.

Poor telecommunications are a problem; in some cases the remnants of the Cocom restrictions are still an obstacle; and some of the smaller players are finding funding a problem – in spite of there being some aid available for automation projects from the World Bank and International Monetary Fund. Given the previously centralised nature of the sector, there is a general lack of banking expertise.

Information technology skills are not lacking. Most users have had to survive for a long while with in-house developed or pirated software on secondhand computers from the west or clones manufactured in the east.

"Many have years of good expertise of hardware and software," says Mr Nikola Kostov, senior programmer at Bulgarian software house, SPS. "They are very good at assembling, configuring and repairing computers and systems software but are not so good at the final application or managing projects."

The limited experience means that IBM mainframes and DEC VAXs are proving popular because there is a relatively large installed base of both of these – albeit often clones built in the Soviet Union or East Germany – but Unix is generating a lot of interest.

What is lacking is experience of large scale project management and of selection, implementation and customisation of banking applications.

Many banks are not aware of the applications available. Some are putting speed of implementation ahead of meticulous selection procedures and there is a tendency to take either the first solution available or the solution chosen by a neighbour.

For those who have traditionally ignored such things as copyright and intellectual property laws, the need to pay for the software can be a significant cultural hurdle. "Many are shocked to know the real price of software," says Kostov. "It is not easy to persuade them that the software might be more expensive than the hardware."

Most look to the West for solutions. Many western suppliers have a conscientious and long-term approach to selling in eastern Europe but others do not. With depressed markets elsewhere, some suppliers view it as a lifeline. A salesman has openly boasted of selling a software licence to an east European bank for six times the going rate.

There are hardware and software companies selling old versions of their products which they no longer market in the West. There are suppliers who go in, sell their system and then leave without bothering to set up support operations.

Long-term support is very important given that the banks' activities will almost certainly change, and that applications which suit western European banks may not handle many of the unique requirements of their east European counterparts. There is also the lack of domestic experience.

"They have been dealt with in a cavalier way by some suppliers," says Mr Dil Thomas, a partner at Coopers & Lybrand Deloitte. "A lot operating there are desperate to sell their software or kit. The east is currently very well disposed to the west but that may not last."

Some eastern European banks may quickly learn that a *solution which originates in* the West is not necessarily a good solution and that time saved on selection is often lost when it comes to implementing the system.

However, most of the banks are not naive. Many will get it right and these will be the survivors.

The fledgling banks of eastern Europe are not hampered by the creaking systems of many of their western counterparts and the more aware among them will not make the same mistakes. The hurdles are enormous, but so are the opportunities.

Line of credit: people queuing for Western money outside the Czechoslovak National Bank in Prague last December

Automatic Teller Machines

Mature market in the walls

FEW DEVELOPMENTS in retail banking in the last two decades have been as popular with bank customers as automatic teller machines (ATMs).

Worldwide, there were 208,565 ATMs in operation in 1990, in a market dominated globally by Interbold, the marketing joint venture set up last year by IBM and Diebold, with a market share of 41 per cent. In the UK and the Irish Republic there are 17,396.

In Britain at least, the market is mature. Each ATM is expensive, costing around £25,000, and banks are more concerned with controlling their costs and improving the quality of their service these days than they are with increasing their ATM networks.

"ATMs have reached saturation point, at least as regards walls to put them into," says Mr Richard Barrow, general manager for business information systems at Halifax building society, which has 1,500 ATMs.

What growth there now is in the market comes chiefly from the installation of ATMs not in the high street but in supermarkets and garages. In Europe, lobby customer inquiry terminals are also growing strongly.

'You are going to see more powerful ATMs doing more things in the next few years'

The British ATM market is dominated by NCR, whose 62 per cent market share is double that of Interbold, its nearest competitor. The global market looks as if it is settling down to accommodate three or four main suppliers, probably Interbold, NCR, Fujitsu, and possibly Olivetti, with fringe players dropping away.

ATMs themselves fall broadly speaking into two categories: the more intelligent ATMs, which control their own functionality with host authorisation, and the dumb terminals with all intelligence at central point.

At present, the two types are fairly evenly distributed, but there seems to be a gradual *shift in the* market to the view that it is easier to change facilities at the central level. The future may lie with the dumb terminals, linked to outside networks by interface packages such as Base 24.

Increasing volumes of transaction and improving quality dominate the perspectives of the large banks. With customers increasingly preferring to withdraw cash from their bank via an ATM rather than over a counter, volumes are soaring.

"We did about 260m transactions in our last year, of which 60m were balance inquiries," says Mr Bert Morris, NatWest chief executive for support services.

NatWest maintains a chain of 2,700 ATMs and has installed De La Rue rapid cash tills in large branches, which perform fewer functions but dispense cash more rapidly.

Mr Nigel Walsh, marketing director of the Software Partnership, says he believes ATMs are too driven by customer demand, and therefore too little thinking has yet been done on how ATMs can be fitted into banks' marketing strategies.

"The UK ATM market is now mature, with the first generation of ATMs installed, but what we and the banks are now thinking about is how ATMs can complement other functions and how ATMs fit with the banks' overall strategy," Mr Walsh says.

One thing the banks have to decide is how fast they should move towards a common ATM network. It is only three years since Halifax decided to integrate its ATM network with Link, the ATM network set up by building societies and the smaller banks. Since the emergence of the unified Link network, the UK has three ATM networks.

Mr John Hardy, Link's chief executive, would like to see a single national ATM network emerging. As yet this has not happened, though the two main bank ATM networks – Mint (Midland, NatWest, and TSB), and the Four Banks (Barclays, Lloyds, Royal Bank of Scotland, and Bank of Scotland) – may join forces in the foreseeable future. Letting in the smaller players of the Link network is a different matter. Smaller players with limited branch networks benefit disproportionately from joining an ATM network (the four largest UK banks assume that ATM transactions between each other are roughly equal): should they be made to pay?

Each "foreign" transaction – made when a card holder draws money out of an ATM belonging to another bank or building society – costs the card issuer around £1.50. So far only Halifax has tried to deter its customers from foreign transactions by making a charge, currently 60p – but in the US, the practice is by now no means unusual.

Another way of bringing down costs is to push up the volumes of daily transactions on each ATM. Mr Hardy believes these could become several times higher than they are today.

Improved software is making this look increasingly possible. Lloyds and Midland both rely heavily on Base 24, a mainframe interface package developed by the company of the same name, to route transactions out of their ATMs from their mainframes into other networks such as Visa.

Mr Ron Price, Midland Bank managing director for technology, says: "Base 24 is used by us as gateway software from Tandon technology into IBM technology. We have hit some very good performances with our ATMs . . . We recently processed more than 1m transactions in 24 hours, the sort of thing never hit anywhere else before." A question over the way ahead is whether banks should be thinking of switching to a new generation of cash machine which accepts smart cards.

The Bull ATMs in France already take smart cards, enabling them to operate in an *off-line* authorisation mode. The prospects for a new generation of British ATMs which do the same rests largely with NCR, which so far seems to have been somewhat cool about the idea, although Mr Taylor at NCR says he is looking at possibilities.

'ATMs have reached saturation point, at least as regards walls to put them into'

"I think you are going to see more powerful ATMs doing more things in the next few years," he says. This *may* have to wait until later in the decade. The life span of the average ATM is around seven years, and a large number of UK machines have been replaced recently, making it uneconomic to phase them out and replace them with newer varieties.

At the moment NCR appears to be more concerned with less fundamental refinements, such as extending the graphics capacity of ATMs and introducing ATMs which can provide more information on their screens.

"The more attractive you make the screen, the greater the *probability the services* being offered on them will be taken up," says Mr Taylor.

David Barchard

OPEN SYSTEMS

Lack of enthusiasm

BANKS AND financial services companies are in the forefront of information technology applications, yet financiers have been laggards when it comes to adopting "open systems", the standards-based systems that promise to enable different types and brands of computers to work together.

American banks, in particular, remain heavily dependent on proprietary mainframe computer systems and show little enthusiasm for the "open systems" trend that has swept through the computer industry over the past two years. Only 15 per cent of US banks have adopted an information processing strategy based upon "open systems" that run the Unix computer operating system, according to a survey conducted earlier this year by International Data Corporation, a US market research group.

Although an additional 16 per cent of US bankers surveyed said that they were "considering" the use of Unix systems, the vast majority appears reluctant to switch from the proprietary systems currently in use. By contrast, 60 per cent of US business services companies said that they were pursuing a Unix-oriented open systems strategy, while over 40 per cent of retailers and manufacturers were adopting open systems.

Thirty per cent of US insurance companies and other financial services companies said that they were committed to open systems.

The survey data reflect the heavy dependence of US banks on proprietary mainframe computer systems, says Mr Donald Bellomy, director of worldwide market studies at IDC. The banks have invested huge amounts in developing applications for existing systems, he notes, and most still do not trust critical applications to Unix systems. "There is still a negative reaction to Unix among US bankers," says Mr Bellomy.

Despite the growing popularity of the AT&T computer operating system in other industry sectors, most banks are reluctant to transfer critical applications to "open systems" platforms. The financial services industry as a whole is, however, following the same path toward "open systems" as other industries, albeit more slowly, Mr Bellomy believes.

When it comes to new applications, the financial services industry has been quick to take advantage of the relatively low-cost computer power offered by Unix workstations. For Sun Microsystems, the leading manufacturer of Unix workstations, the financial services industry represents the fastest growing market sector with annual growth estimated at 100 per cent. Cumulative revenues from the securities, insurance, banking and money management industries accounted for approximately 7 per cent of the company's revenues over the past year, or $220m. Applications run on Sun workstations include securities trading, investment management, actuarial analysis, quantitative research and insurance underwriting.

Proportions of US industries adopting Unix-oriented open systems strategies

Industry	Pursuing	Considering
Banking	15.5%	15.9%
Insurance/other financial	30.4%	5.3%
Manufacturing/industrial equipment	41.8%	1.9%
Business services	60.3%	0.8%
Retail	42.4%	3.1%
Wholesale	32.2%	12.0%

Source: International Data Corporation

Swiss Bank Corporation, in London, has constructed a trading room based on a network of more than 250 Sun workstations, while Mitsubishi Bank in Tokyo recently automated its trading floor with a system based on more than 400 workstations. The new system enables the bank's traders to integrate video and digital information from internal and external sources simultaneously on a single workstation.

Few retail banks, however, are using "open systems" for branch automation and other critical applications. For most US banks, the choice is between Unix "open systems" and IBM's proprietary systems. While Unix systems are typically less expensive than IBM systems, they are less well proven and require a leap of faith that few bankers have been willing to make.

Most have so far chosen the "safe" path by sticking with IBM.

Economic pressures are, however, forcing banks in the US and Europe to consider "open systems". Moves by some of the leading suppliers of computers to the banking industry to embrace open systems are also influencing buyers. NCR, Digital Equipment, Tandem Computers and Unisys, for example, are all offering open systems products, while IBM is placing new emphasis on open systems alternatives to its proprietary systems.

Past investments in developing applications for proprietary systems make many in the banking industry reluctant to change, despite competitive pressures. There are, however, exceptions. Fuji Bank of Japan, the third largest in the world, is building an open systems computer network at its Tokyo headquarters. The system is a "mainframe alternative" based on Hewlett-Packard minicomputers and terminals. It is geared to addressing customer queries.

Customer transaction data will automatically be fed into a relational database running on HP minicomputers. Bank personnel will download the information to notebook personal computers or desktop terminals.

Fuji Bank sought "a cost-effective alternative to a mainframe that delivers optimum flexibility through open systems," says Mr Yoshihisa Tomoda, its senior director.

"Using the traditional mainframe approach to an information- processing challenge of this magnitude would have required considerably more time to implement and cost significantly more to operate."

For an increasing number of US banks, however, the rising cost and complexity of information technology management are leading to another alternative. According to IDC, 25 per cent of US banks are thinking of "outsourcing" their data processing systems. This compares to an average of 10 per cent of companies in other industries considering such a move.

Louise Kehoe

Michael Dempsey looks at smart card technology: the marriage of microchip and flexible friend

Put a lie detector in your pocket

SPIES PARACHUTED into Occupied Europe during the War clutching radio sets. If they were lucky, they survived to tap out messages in morse code. If they were captured and forced to reveal their codes, the enemy would attempt to plant false information using the same radio frequency and morse signal.

It was a subterfuge that failed. Morse code is tapped out by hand and every radio operator has a unique signature, a rate of keystrokes that cannot be replicated by another operator working in the same code.

Bank employees keying in to high security systems will come to rely on the same principle in the near future. IBM has taken the idea of the individual hand and put it together with smart card technology, the marriage of microchip and plastic card.

Implanting a Hitachi chip with a generous memory into its latest smart cards has allowed IBM to extend the security facilities available. The credit card with brains has become the guardian of secrets.

IBM's Transaction Security System (TSS) relies on a smart card to limit terminal access in sensitive areas. The Stock Exchange's $65m project to replace paper share certificates with an electronic exchange, code-named Taurus, will use TSS to control access.

A smart-card reader stands between the Taurus user and a secure communications workstation. The smart card chip serves to authenticate the user's personal identification number (Pin).

Now IBM researchers have gone a step further. The card user practises his signature with a pen attached to a computer. This registers the speed and pressure with which that person signs his name. The exercise is repeated four times to give parameters, such as the extremes of one signature.

To repeat the speed and force of one individual's scrawled name would take a lot of training by that person

The user can log on with the card with or without the Pin. The most dedicated fraudster, one who knows the the authorised card holder's Pin and has spent hours practising a false signature, will still be caught out. To repeat the speed and force of one individual's scrawled name would take a lot of training by that person, something spies understood 50 years ago.

Signatures, like fingerprints, are classified as biometric identifiers, unique personal characteristics. Voice recognition features as one avenue for smart card security.

Jim Mullen, director of Card Transaction Systems, has developed a voice code smart card that allows the user to change code words at will. The user stores his voice signature on the card's chip using a verification terminal with a microphone attached. He can enroll again, recording new passwords against a chip that already has his voice signature securely stored.

"If banks want to get rid of paper with Electronic Data Interchange (EDI) this is the way to make sure telephone contacts are authentic," says Mullen. Retail banks in France are convinced smart cards are the way ahead, and are already renewing every plastic card with a smart card from Bull.

By November 1992, 20m smart cards will be in circulation. French banks use one common network for retail transactions, all automated teller machines (ATM) and point of sale (Pos) card readers are linked. This accounts for the rise of the Gallic smart card. Banks had the means to supersede the familiar magnetic strip card quickly. Every payment will rely on a Pin, but for small transactions the card's own memory chip will suffice to tell the Pos reader that the user has sufficient funds.

Smart card purists say that this is a half-hearted use of the technology. With a big enough chip each card will contain a database of information about the holder's finances. Smart card visionaries speak of a distributed database, with files held not on a circuit of computers but in the wallets of the nation.

Barclays Bank has tried out Bull smart cards carrying extensive personal data. But rather than risk unproven technology on valuable customers it picked a surrogate environment. Dallington Sports Club is near to the bank's Northampton computer centre and its membership proved effective guinea pigs for Barclays. Members booked squash courts and paid subscriptions with cards that also carried their med ical records.

The two year experiment was not cheap, but canny Barclays planners knew that Bull had a vested interest in its success. "We shared the costs with Bull", says Steve Collins, project manager of Barclays card technologies team, "and we called in a lot of favours."

As Collins points out, the technology at Dallington has been around in its component parts for 15 years. What Barclays has just gained is an insight into very practical drawbacks of issuing a "computer on a card". The card chip is linked to the contacts that address Pos readers and ATMs by gold wires.

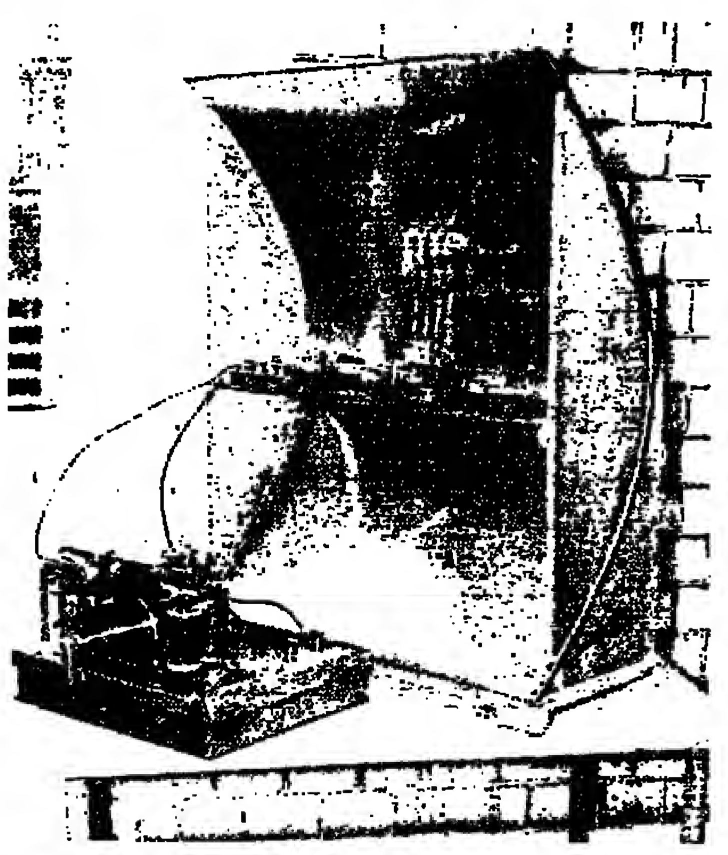
Mailing out the cards left these delicate connections at the mercy of the Post Office's sorting equipment

These are so fine "they make a human hair look like co-axial cable". Mailing out the cards left these delicate connections at the mercy of Post Office sorting equipment. Barclays refers to the resulting massacre as an era of "severe problems".

It emerged that cards would survive the Royal Mail if they were placed in the envelope with the contact plate facing forward. Collins is reticent about the precise direction that Barclays will take with smart cards. With financial transactions stored on a chip and the right reader attached to a PC the user could analyse personal bank statements.

If this sounds like a pedantic exercise for the average current account holder it offers relief to the High Street bank. Wary of computer error and fraud more and more customers are querying ATM and Pos transactions. Smart card holders will possess proof of transactions, and the chip will be retained long after ATM receipts have blown away.

There are two brakes on smart card development. The readers cost anywhere between £100 and £2,000. While all the players want to embrace the latest retail technology there is no race to cough up for thousands of smart card readers.



From Morse code to smart cards: an early radio receiver

The other problem is deciding on a biometric factor that can be relied upon to keep the customer both secure from fraud and happy with the system. When a voice card system rejects your application for a cash withdrawal the IT industry brands this a "false rejection". Bankers talk of an "insult rate".

Until a quick and clean recognition method is sorted out banks are reluctant to further alienate a increasingly stroppy client base. "We can't afford to upset people at the point of sale," says Collins.

COMPUTERS IN FINANCE 8

To promote the more productive banking services, banks' off-site ATMs are likely to see facilities limited to cash withdrawals and cheque book orders

Christopher Price looks at the development of teller machines

Banks change their direction

AS AUTOMATED Teller Machines (ATMs) have proliferated along Britain's high streets, the main clearing banks have begun to place the machines at off-site locations.

Already they are a common sight at out-of-town superstores and travel terminals, and soon motorway service stations, *larger supermarkets* and shopping malls will have ATM facilities.

This spread, however, has been limited by a decisive change of direction by the banks regarding their ATM operations.

During the 1970s and 1980s, the rise of the ATM had the desired effect for banks: cutting bank hall queues, reducing paperwork and freeing staff to concentrate on more productive work.

However, as banks have moved into more commission-based services, the need to be in direct contact with their customers has taken on a new importance. Suddenly, the bothersome customer wanting a new cheque book is wanted back inside the bank, to be beguiled by offers of share dealing, insurance services and a whole range of investment opportunities.

Bank of Scotland has introduced a new Philips home banking console to customers at a cost of £100

To promote their more productive banking services, banks' off-site ATMs are for the immediate future likely to see facilities limited to cash withdrawals and cheque book *orders*.

The technology available for banks to offer new screen-based services far outstrips the demands of UK banks. "Banking is somewhat conservative in this country," says Mr Geoff Tait, financial product marketing manager at NCR, a leading ATM equipment manufacturer.

"What we can deliver and what is actually used by the banks is quite different. The US and the Continent are far *ahead of the UK in the services* an ATM can offer customers. There's a lot of trialing of equipment here – but remember, it took UK banks about five years of trials before they adopted ATMs."

One aspect of the banks' desire to adopt a more personal approach to attract customers is the introduction of telephone banking. FirstDirect, the UK's first purely telephone banking service, which opened three years ago, now has 150,000 *accounts and says it is recruit*ing new customers at the rate of 200 a day.

It has eschewed developments towards home banking and computerised telephone services in favour of person-to-person banking, using the site services of its parent company Midland Bank to supplement its facilities.

"All our research shows us that people want a return to personal banking," says Mr *Tony Williams, FirstDirect's* communications director.

"We believe that the next two to three years will see telephone banking really take off in the UK. Most screen-based banking for customers has not succeeded, mainly because the target audience is too small. The average bank customer is not used to PCs – telephones are much more user-friendly."

After initial scepticism about FirstDirect's chances of success, other banks and building *societies are beginning to show* an interest in telephone banking. Last month, for example, National Westminster joined a growing list of institutions when it launched a telephone banking service pilot programme, which while not a 24-hour service like FirstDirect's, emphasised the fact that each customer in its "PrimeLine" scheme will have a personal account manager.

Some banks, such as Nat-*West and Royal Bank of Scot*land, have also introduced an automated telephone service for the mundane aspects of banking such as bill paying and statements. These use telephone tone pads which connect the customer to the bank's computer.

Citibank, owned by Citicorp of the US, has gone a stage further by the introduction of its "Enhanced Telephone" which features a small screen display underneath the dial *pad*.

Home banking schemes, where customers are connected to their banks via telephone lines to personal computers or modems have not made a great impact in Britain.

Dr Jim Carden, chief manager, automation research and development at the Bank of Scotland which has been pioneering a home banking service since 1986, describes it as "technophobia".

"Bank users are only just starting to feel comfortable with the technology needed for home banking," he says.

Suddenly, the bothersome customer wanting a new cheque book is wanted back inside the bank

Bank of Scotland has introduced a new Philips home banking console to customers at a cost of £100, or free to customers who hold £500 or more in their accounts for a minimum of two years. According to Carden, several thousand have been distributed in the past year.

The modems, which uses the Videotext service, allow customers to pay bills and move money around accounts. The bank, while not interested in offering other financial services, is holding discussions with other institutions with a view *to extending the home* banking service.

"The Bank of Scotland believes that machines have their place and we are content to let them deal with the day-to-day side of banking, like statement ordering and paying bills, while the personal side of banking is still our priority."

The attraction of home banking for regional banks such as the Bank of Scotland and some of the smaller building societies is that it allows it to develop a banking network without the cost of localised branches. Dr Carden believes that the demand for home banking will accelerate as other home computer services, such as shopping and faxing, grow.

■SWIFT: faces problems

The burning issue of supervision

LAST MONTH, as Swift executives stepped on to their aircraft for the annual user jamboree in Hong Kong, the new system, Swift 2, crashed spectacularly, leaving international payments in chaos for 13 hours. September 16 was the latest in a series of breakdowns that has forced a rethink on security and exter*nal supervision at the Society* for Worldwide Interbank Financial Telecommunication.

Swift is the backbone of the world's payments system. Some 1.6m messages a day zip down its lines, supporting billions of pounds of business. Co-operatively owned by 3,000 banks, its 18-year history has been marked by growth, stability and occasional skirmishes between its shareholding banks and its rather more dynamic executive. But until Swift 2, the far-reaching project to replace the over-stretched existing system, never had its reliability been a cause for concern.

Swift 2, described as "possibly the largest IT project in the world", began the first stage of implementation last year. By September 1991 it had 68 per cent of traffic running on Swift 2, 54 per cent of which was on the full Swift 2 system, 46 per cent on Swift 1 emulation, a clever device that allows banks to plug in on their old system and have their messages automatically turned into Swift 2.

Herein lies the problem. Running in effect three systems (Swift 1,2 and emulation) has put an enormous *strain on the network. The* project team hoped to avoid this by first bringing banks over slowly, then surging ahead to 70 per cent of traffic, and then tailing off to bring on the smaller banks. In that way they would have avoided a 50-60 split between Swift 2 and emulation. But delays in Swift 2 software releases from Swift's own vendor, STS, which has 70 per cent of the interface market, and from other independent vendors *such as IBM, have forced* banks to stay on emulation longer than necessary.

This vulnerability, compounded by the inevitable software bugs of a new system, has led to a number of crashes, of which at least three have seriously interfered with the smooth running of European domestic clearing and end-of-day settlement.

Mounting concerns have forced central bank regulators into action. A special team, the Swift Security Review Working Group, has been set up under the aegis of the G10 Group of Experts on Payments Systems with a view to supervising Swift's audit procedures. Until now, Swift has assiduously fought interna*tional regulatory involvement.* Its claim that it is a message switching service, not a full-blown payment system, like Chaps, has protected it from central bank preoccupation with matters of systemic risk.

However, the difference has been hard to sustain in view of the impact of Swift crashes on payment systems, and the increasing role Swift is playing as a network provider to those domestic clearers.

On the surface, all the audit supervision means is that the six-man committee will come into the La Hulpe headquarters, near Brussels, inspect the internal and external security audits and make recommendations, which Swift may or may *not agree to. But its real sig*nificance runs much deeper. It restokes the burning issue of who controls Swift: the banks, the executive or international supervisors?

Swift is at a watershed. Mr Bessel Kok, its ebullient chief executive, *leaves at the end of* this year. For 18 years (the past seven as chief executive) Mr Kok has fought long and hard with his bank share holders for a "restructuring that would give us a small, strong board and a very, very strong executive." As a bid for autonomy, it failed. At almost every step Mr Kok was resisted – from his attempt to get into non-core services such as risk management (Swift invariably messed them up) to the long and painful process of getting new non-bank members on to the network.

Perhaps the bell finally tolled for Mr Kok when his proposal for a new category of participants – fund managers – was slapped down earlier this year in a flurry of competition and disintermediation fears.

With Mr Kok's departure, there is a clear sense that the banks are reasserting their control of Swift. Says Mr Eric Chilton, head of Barclays' electronic banking and a Swift board member: "In the past, Swift did things on its own initiative and we, the banks, followed. This must change and indeed, it is changing. Take, for example, EDI [electronic data interchange], the banks got together to talk about the business requirements, then we took it to Swift. This is the way it must work.

"But to do this, we need to have a more intelligent bank ownership, we need to stop seeing Swift as a technical project and get more senior bankers who can make strategic decisions, on board."

This latter comment is a sentiment that Swift would wholeheartedly share. Since its inception the society has suffered from the effects of over-delegation. EDI, because of its strategic importance to the very nature of banking (if corporates can send trade and even payment data between themselves, why do you need a bank?) has been one of the very few instances of a Swift *issue being handled by* top-level bankers.

Undoubtedly because of this, EDI has been one of the few success stories of 1991. The first live Swift EDI message went out recently in an end-to-end transaction from Barclays. However, it was live only in the sense that it was not a test – the bank is still waiting for its four initial partner banks to come on line, to have some-one to send messages to. Swift hopes to have 10 banks live by January next year.

Less happy has been the fate *of Accord, Swift's confirma*tion matching and now, foreign exchange netting system. Its 26,000 confirmations a day are disappointing, agrees Mr Kok. He attributes the slow start to the banks' slipshod message formatting which has led to an unacceptably high level of mismatches.

More so, the product has a serious credibility problem after having been rejected by the European bank netting consortium, Echo (European clearing house organisation). The banks rejecting it were the same ones which had paid, through their tariffs, for the cost of developing it. Mr Kok, using one of his favourite expressions, would call it an example of the banks' left *hand not knowing what their* right hand was doing.

Mr Kok has bigger fish to fry as head of Belgacom, the soon-to-be-privatised Belgian telephone company. The choice of his successor has been caught up in the issues of control and accountability. Mr Kok's nominee was Mr Jacques Cerveau, a Swift long-timer, who is head of operations. The banking board have put him on hold while they explore possible outsid*ers. If there is a gift-wrapped* opportunity for a management shake-up and a repositioning of Swift, it is this.

Samantha Laurie

Joseph de Feo: redefining what it means to be a bank

The banking revolution

The onslaught that 'cosy' banks face

MR Joseph de Feo, chief information officer at Barclays Bank since July last year, is a fiercely persuasive prophet of a banking revolution which will see today's financial institutions facing new competitive challenges from unexpected directions.

He already anticipates the influence information technology is going have in lowering barriers to new competitors in the lending business, which explains some of his impatience and frustration with the current pace of change in British financial institutions.

He fears that banks in general and UK banks in particular are ill prepared for the coming onslaught from outside the cosy banking world.

"Because of their previous success", he says "they are more relaxed than they deserve to be. The ready availability of technology has made it easy for people to enter the market. You no longer need branches. There are these things called telephones, terminals, personal computers."

'Some of my guys think I meddle,' beams the former systems programmer

Within five years he expects technologically-competent but non-bank organisations such as the telecommunications giant AT&T, the computing services company Electronic Data Systems and the General Electric Credit Corporation to be a real threat to established financial institutions.

Banks are, after all, simply factories for processing money. When their raw material is transmuted into electronic pulses, processing and distribution can become the province of any organisation with appropriate systems and expertise.

It will mean two major changes, he believes. First, a redefinition of what it means to be a business manager in a financial institution. Second, a redefinition of what it means to be a bank.

Mr de Feo is well qualified to hold views on both questions. He has been at the heart of operations in the financial services business for some 22 years including experience of investment banking with Goldman, Sachs & Co., merchant banking with Morgan Grenfell and Company and wholesale and retail banking with Chemical Bank and Chase Manhattan Bank.

A US citizen, he came to the UK because he had "always wanted to work in Europe" as director of systems and operations for Morgan Grenfell in the late 1980s.

He has been both systems and applications programmer, *and sometimes it shows:* "Some of my guys think I meddle," he beams, and adds that a sound grasp of the technology at the top of an organisation is a powerful aid to quality control.

A major strength, however, is his grasp of the banking business. His first degree was in business, he took an MBA concentrating on banking and financial markets and business economics, a master's degree in international banking and is completing a doctoral thesis on business administration.

He believes that the accountants who have traditionally made up the banking profession now have to learn to become business managers – and that means acquiring an understanding of information technology. "We are at a watershed and it is becoming a nonsense to talk of business managers who do not have IT management expertise. How can you be in charge of a business like this without skills in IT management? That is what it will mean to be a business manager in the future. Nothing else makes any sense to me."

His views carry weight because Barclays is an enlightened and pioneering user of information technology. Both chairman Sir John Quinton and managing director Mr Andrew Buxton have made it clear in speeches and articles that they see IT as a major factor in business strategy.

Since his appointment, Mr de Feo has been working on the integration of Barclays' business plans with its IT strategy. The first fruits are beginning to emerge. Last month, the bank announced that it intended to devolve the management responsibility for systems development from its central IT department to each of the group's major business divisions.

The idea is to forge a closer and more effective relationship between the bank's 1,500 IT development staff and the users of its IT system.

The bank has also struck a pioneering three-year deal with International Business machines, its principal IT supplier, through which the two companies will work closely, with IBM benefiting from a substantial and guaranteed revenue stream and Barclays from special pricing as well as access to IBM's future technology developments.

Mr de Feo says the bank has to concentrate its efforts in four areas if it is to remain competitive.

First, it has to be the lowest cost producer in all the areas where it competes. He is looking for new ways to cut costs in product development and redesign the bank's business processes: "If we were in the car business it would be as if we were designing, manufacturing and selling from the outlet – that has got to be a *nonsense*."

Second, there have to be new delivery mechanisms to improve service quality. He envisages a new design or architecture for the bank's information systems which will separate product design and data processing from the means of delivery – branches, mail, telephone system, automated teller machines and the sales force.

'It's as if we design, manufacture and sell — that has got to be a nonsense'

Third, he sees the need to use technology to differentiate Barclays' products from those of its competitors. This implies the ability to consolidate information about customers in an intelligent manner.

"It is more than cross-selling. We have to be able to link products," he says, citing Merrill Lynch's hugely successful Cash Management Account (it held a customer's cash and securities and provided a high yield on the credit balance in addition to debit card and chequeing account facilities).

Fourth, the bank has to be able to draw together electronically more information about its own performance – product profitability for example. US banks operate on a monthly basis, while their UK equivalents pull together their figures quarterly. "We need more information about, say, risk management. We already have the data but it is held in paper records. It is not in our electronic system."

Those four pointers indicate what to expect from Mr de Feo even if the details of his plans remain closely under wraps. There is a certain urgency. US and Japanese banks have well publicised problems but they will recover. Mr de Feo reckons the window of opportunity for UK banks will stay open for only the next three years.

Alan Cane

■PROFILE: Internet Systems

Open architecture proves its worth

BANKS HAVE always been technological pioneers and advanced computer applications which use an "open" approach are becoming common *in international* banking.

Modern global banking applications rely on international networks and the diverse computer equipment connected to them. As a result banking applications software must take account of different hardware and networking technologies and insulate its users from them.

This view is generally fashionable now but certainly was not popular a decade ago when Internet Systems, the banking software developer, was founded in Chicago. The world was still dominated by so-called proprietary computer systems which could not work easily with other systems.

Fashionable or not, Mr Paul Rachal, Internet's founder and first president, saw the potential for a banking application based on an "open" architecture.

While at the First National Bank of Chicago, Mr Rachal was responsible for developing international banking software applications and saw a wide market for the system.

He brought together a team to build the applications software and launched Internet Systems on the back of the Atlas "back-office" banking package. The privately-held company was financed by US venture *capitalists* including Mr Tom Perkins, the chairman of Tandem Computer, who is also chairman of Internet.

The link with Tandem, the US fault-tolerant computer builder, has proved particularly useful to Internet.

The link with Tandem, the US fault-tolerant computer builder, has proved particularly useful to Internet

When Internet first developed the Atlas software, Tandem was emerging as a new force in the banking applications market. Its so-called NonStop hardware technology promised to work non-stop and provided international banks with a robust platform to build applications such as Atlas which need to be in service 24 hours a day.

As a newcomer to the computer market, Tandem also had to build in links to work with other established computers such as IBM's large mainframes or DEC's minicomputers. More recently, Tandem has extended its computer's "connectivity" to Unix systems and IBM-compatible personal computers.

The Tandem's high-speed, fault-tolerant hardware and its ability to link to other systems have allowed Internet to keep pace with changing demands for its applications software.

Internet has successfully weathered the recent economic storms, in both the computer and the banking sectors. Ms Bizz Skerrett-Smith, UK marketing director, says: "The last two years have been the most successful in our history. We opened new offices in Europe and the Far East and have maintained a good profit record." The company disclosed revenues of $36m last year and employs 300 staff worldwide.

In addition to its headquarters in Chicago and its European centre in Woking, Surrey, Internet has offices in New York, Paris, Frankfurt, Stockholm, Singapore, New Zealand, Tokyo and the Netherlands. The Atlas software has been licensed to 27 leading financial institutions and is installed in 120 sites worldwide.

Internet's success stems from the early decision to base the Atlas applications software on an open architecture, which would allow the application to expand while still remaining integrated. Atlas is a "back-office" banking system and comprises a set of application modules which can pass data to each other.

The modules cover a wide range of banking activities from foreign exchange and money market transactions to commercial lending and funds transfer. These modules feed data to central accounting and risk management modules which, in turn, can be used to create management reports.

Data is fed to central accounting and risk modules which can be used to create management reports

In spite of its innovation, Internet does not live in a technological vacuum and has taken unusual steps to ensure Atlas keeps up with what its users want.

The Atlas software was originally specified by an advisory board drawn from leading banks. The nine-strong board, which includes National Westminster Bank, Lloyds Bank, the Royal Bank of Canada and Sociéte Génerale, still meets annually to discuss changes to the software.

Like other software suppliers Internet cannot afford to stand still. Technology changes and new demands from application users have led it to expand in two specific areas in the last two years. It has expanded its professional services to cope with the increased demand from users for comprehensive support from high-level consultancy to low-level software support.

In September, Internet signed up exclusive distribution rights for the dealing room system developed by Transact, a London-based systems developer. This takes Internet into the competitive market for "front-office" banking systems. The Transact system will be linked to the Atlas software to provide what Internet sees as a totally-integrated banking system.

"The back-office market is vertical and very specialised and we wanted to expand. But we realise we cannot build all the software ourselves so we began a strategy of seeking alliances with other companies like Transact," explains Ms Skerrett-Smith.

"The big players in the market are looking for front and back office integration so they can assess their position across all of their activities." Transact is the epitome of a modern software application. It runs on a network of IBM PS.2 personal computers and uses a so-called *client/server architecture*. This means that front-end (client) functions – like handling the display screen and performing local processing – are located in the desktop terminal.

Back-end (server) functions such as database processing, printing and large-scale number-crunching are handled by specialised "server" processors connected to the network. Internet says that the Tandem system it uses to run the Atlas software will be able to connect to the Transact system to give the market the streamlined front-to-back office systems it is looking for.

It will be able to give the market the streamlined front-to-back office systems it is looking for

"All banks are looking for ways to reduce costs. We can offer them one solution," says Ms Skerrett-Smith.

Philip Manchester

COMPUTERS IN FINANCE 10

Restraint and caution

Continued from page one
Battelle notes: "As back office procedures are rationalised and consolidated, the role of the branch manager will change from branch administration to business development. This new manager's front line staff, branch-based and mobile, will have access to information via powerful intelligent terminals."

All of this means that systems developed for a different era will have to be rewritten for today's competitive conditions.

Mr Sei James, technology director for TSB retail banking and insurance says: "This is the most exciting time to be involved in in electronic banking. We have to re-engineer the old systems and build them anew."

How this should be accomplished is an interesting question which cuts across the boundaries of business tactics and technology strategy. Many companies have a burdensome legacy of old computer systems slowing them down.

Batch systems, for example, are too slow to respond to the speed of change in today's market place. Such systems essentially held information on customers by account numbers rather than by customer profile. New systems to underpin new applications were added piecemeal with separate systems installed for each method of service delivery.

Mr Nigel Walsh, marketing director for the Software Partnership, a rapidly growing consultancy specialising in systems for all the various flavours of electronic banking told a recent conference: "Little thought was given to future service expansion, the addition of support for new networks and devices or how to offer the customer choice in how and where to use these services".

The Software Partnership solution, in use at Rabobank Nederland and the TSB in the UK, is a "delivery platform" a piece of software which separates banking products developed on diverse computer systems from the means of delivery – telephones, terminals, ATMs and so on.

Moving from old, often successful, systems to modern versions able to cope with today's pressures is always a nerve-racking business.

Michael Dempsey takes a look at developments in wholesale banking

Wanted: umbrellas for all seasons

The National Westminster Bank dealing room: 'Atlas has tremendous flexibility when it's up and running, but the element of user choice makes the implementation demanding'

THE BANKING world was a very different place in 1982. The Big Bang and associated opportunities were on the horizon. A decade of profit beckoned.

Bankers should have been happy creatures. But bankers do not measure their lives by normal standards. Faced with administering the complexities of bank to bank and bank to corporate customer business, they shared a common displeasure.

The IT group at First Chicago Bank had already developed First, its own wholesale banking package. Other US banks reviewed the tools of the trade and decided that a new raft of computer software was needed to keep the wheels moving.

Insiders recall their mood. They were frustrated with large banking systems, phenomenally expensive computer programmes governing a multitude of functions behind retail banking and beyond the dealing room.

Since the 1970s a handful of comprehensive banking systems had dominated the world market. Kapiti, with an eponymous system, and BIS with Midas, are prime examples. Their products had grown as the clients discovered fresh business needs and the ability of computer resources to meet them.

From the IT industry perspective, the banks woke up to the power of data processing. The banks saw themselves as putting pressure on the IT suppliers to deliver. What emerged from Chicago was an agreement to sponsor yet another portmanteau banking system, but one that the banks themselves would control.

The founding fathers of this system were Continental, First Chicago and Lloyds Bank. A banking systems company, Internet, was formed to write, support and sell the product.

An Advisory Board, consisting of nine international banks including Nat West, Lloyds and Deutsche Bank, convened to steer the IT world's latest stab at comprehensive banking software. It meets in Chicago later this week after a tumultuous decade for banking and a successful era for Atlas, its technological protege.

Atlas runs exclusively on Tandem computers. With reserve components to guarantee continuous running through technical hitches the Tandem range is synonymous with banking.

The connection is formalised in Tom Perkins, chairman of both Internet and Tandem. Pat Hayward, European managing director of Internet, plays up the link. "We designed the system to take full advantage of Tandem. Atlas is a system designed for a market rather than one particular bank."

This approach gives the end user a lot of options to play with, rather than an institution's IT staff presenting the bankers who will drive the system on a day to day basis with a fait accompli.

At National Westminster Bank it arouses mixed feelings. When Nat West formed a group treasury and capital markets division it merged operations from County Nat West and its Lombard leasing and consumer finance wings. The inheritance of systems was elderly and incoherent. Money markets were managed by a 20 year old programme written in veteran assembler code.

It was easy to identify priorities. "We had to replace old systems that were becoming increasingly difficult to maintain," says Tim Leslie, director of international operations, group treasury and finance. Nat West went for Atlas, but with its eyes open.

"It has tremendous flexibility when it's up and running, but the element of user choice makes the implementation demanding. You set up all the applications your users have on their shopping list."

With some initial help from management consultants Price Waterhouse, Nat West has kept control over the project. "A very sizeable cost" is the closest Leslie will come to discussing money. Atlas licences go for between £250,000 and £1m.

With hardware thrown in and potential future extensions the installation will set the bank back by several million pounds. Settlement, accounting, financial and management reports are all covered. Integrated Banking System (IBS) is McDonnell Douglas's contribution to this technology, covering treasury and corporate banking.

IBS is looking after 30 users in Abbey Nationals treasury operation. In common with all software suppliers in the wholesale banking sector, McDonnell Douglas enjoys labelling its product modular. One senior source at Abbey National provides a brutal but accurate translation of this overworked term. "It means they can chop it up and sell us what they like."

Back office staff at the Abbey National find that when a deal cuts across the disciplines of securities, swops and money markets a modular programme has its drawbacks. "The system looks at functions separately, you can't always look at the whole deal at once," says Rod Parkinson, McDonnell Douglas' UK manager for banking and finance.

"The big change we see is the demand from our customer base for the option of going forward with whatever platform they desire. The marketplace has gone through a recession and is creeping out of it."

Internet's Hayward talks of architectural concepts chaining processors together. This is poaching on the hallowed turf of IBM, where architectures embrace all living things and Financial Applications Architecture (FAA) is the answer to the banker's prayers.

FAA began life as the Wholesale Banking Design Principle. But before WBDP could enter the lexicon of IBM acronyms wholesale was judged too ambiguous a term and FAA was born. "They want flexibility", Matt Durcan, a banking consultant for IBM, says of banks. "If somebody invents a new financial instrument the bank expects the technology to cope with it."

"The trick is to provide an overall umbrella that remains coherent throughout different applications."

The first implementation of the FAA principle is Data-Trade, a software glue that binds different banking functions together. Industrial Bank of Japan (IBJ) in London is one of Datatrade's first customers. Jeremy Rees, director of IT at IBJ, has 200 personnel in securities trading relying on three large Stratus processors serving 200 PCs. The Stratus machines drive a securities application that is pushed on to the PC screens through the familiar form of the Lotus 1-2-3 spreadsheet.

Datatrade manages the passage of data from the Stratus processors to the PCs. This is called co-operative processing, using IT resources constructively to put a powerful but friendly tool on the end-user's desk.

Roger Hedges, a senior manager at BIS, characterises the world of co-operative processing as one in which end-users will deal only with friendly graphics-based systems. The serious processing will be hidden well away from bankers working at icon driven screens. While technical directions play their part, large banking programmes are changing in another area.

Pricing structures are under review. Kapiti's Equation can go from below £100,000 to over £1m. Costing used to be worked out on the basis of the main processor in the system. Big box, large cheque. In an era of hard bargaining this policy has given way to a workstation pricing policy. Installations are now billed by the number of workstations attached. In the current financial climate this looks very like a discreet price cut. "Banks need to be able to afford the tools," admits Kapiti's Paul Dodd.

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INSIDE

Barlow Rand picks up in second half

Barlow Rand, South Africa's largest industrial company, reported better than expected profits for the year to September, mainly because of a solid second-half performance. Turnover rose 10 per cent to R32bn ($11.4bn), while operating income advanced 4 per cent to R2.57bn. However, earnings per share dropped 7 per cent to R4.309 – attributable profits were 6 per cent down at R806m – but this was an improvement on the 14 per cent fall in the first half. **Page 28**

Mexico's agricultural revolution

Many of Mexico's 3m communal farmers, who occupy half the country's agricultural land, are expected to sell up and head for the cities after last week's announcement of reforms to the country's antiquated agricultural sector. The proposed legislation scraps restrictions on the size of farms and clears the way for communal farmers to sell the rights to their plots. **Page 34**

Japan weakens world index

The strength of most world stock markets last week was sapped by a poor performance in Japan which suffered from fading hopes of a discount rate cut, and futures-related selling. In spite of healthy rises in Europe and a small advance in the US, the FT-Actuaries World Index fell 0.3 per cent in local currency terms. **Page 46**

Conflict fails to deter investors

The conflict between Serbia and Croatia has not kept Slovenians away from their own stock exchange in Ljubljana, the capital. Institutional and individual investors have pushed turnover to about DM1m ($60m) a day from DM200,000 at the same time last year. **Page 31**

Pleasing ring from SIP shares

Users of SIP, Italy's state-owned telephone monopoly, are used to the daily lottery of wrong numbers and disconnected calls. But for investors, SIP's shares have a more pleasing ring. Long popular with foreign institutions, the company's stock has lately been one of the best performers on the Milan bourse. **Page 26**

Super start for German tabloid

Super!, the Burda-Murdoch tabloid German newspaper launched six months ago, is planning to expand. Aimed at people living in former east Germany, the paper features advice on personal finance alongside bingo and topless women, and sales are averaging around 485,000 copies an issue. **Page 28**

A market to copy

When the Monopolies and Mergers Commission last month cleared Rank Xerox of abusing a monopoly position in the UK's £1bn photocopier market, it came as no surprise to anyone in the industry. Cut-throat competition, few barriers to entry and stagnating market growth have long been characteristics of an industry becoming saturated by suppliers. **Page 33**

Farmyard flurry over pesticides

Most conventional farmers go on the defensive at the mention of pesticides. They know many people regard the chemicals as toxic and organic farmers seem to have claimed the moral high ground. But in spite of selling at higher prices, organic food seldom leaves adequate margins for either producers or retailers. **Page 34**

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Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Schering	821	+	6
Volkswagen Prf	280	+	3.9
Wella Prf	616	+	4
Falls			
DLW	522.5	–	5.5
Didier-Werke	165	–	14
Zanders Feinpp	261	–	5
NEW YORK ($)			
Rises			
Adolph Coors	20	+	1⅛
Centocor	49¼	+	4½
Cygnus Therptc	21½	+	1½
Env'mntl Systs	16	+	3
Falls			
Ford	25⅛	–	1
Gen Motors	32⅝	–	1⅜
TOKYO (Yen)			
Rises			
Fuji	950	+	82
Nippon Carbon	2240	+	240
Falls			
Howa Machinery	1010	–	90
Kyoei Tanker	520	–	40
Taiyo Kaiun	350	–	39
Toda Kogyo	1020	–	80

Paris closed.

LONDON (Pence)			
Rises			
Automated Sec	137	+	8
Bimec Inds	86	+	7
Chrysalis	91	+	4
Domestic & Gen	873	+	30
First Natl Fin	42	+	4
Mid & Scot Res	67	+	4
Monarch Res	113	+	13
Petrocon	45	+	10
Sidlaw	229	+	7
Stanhope Props	42	+	5
Steeley	310	+	10
Sterling Publ	51	+	6
TVS Ents	9¾	+	2¼
Warner Howard	263	+	9
Falls			
British Steel	91½	–	23
Eurotunnel	402	–	11
Natl Power	148	–	6
Pilkington	145	–	7
Ratners	58	–	12
Rothmans Intl	1124	–	36

Royal Insurance plans European alliance

By Robert Peston and Richard Lapper in London

ROYAL INSURANCE is in negotiations to raise several hundred million pounds in capital as part of a complicated deal which also involves the formation of a pan-European alliance with Aachener und Münchener Beteiligungs, Germany's third biggest insurer, and with Fondiaria of Italy.

The basis of the deal, according to a City financier with a close knowledge of the talks, is Royal's need to strengthen its balance sheet to make good the depletion of its resources caused by losses on mortgage indemnity policies.

Aachener and Fondiaria are likely to inject new capital into Royal. However, they may not do this by a simple purchase of new ordinary shares. The UK insurer is also exploring the possibility of forming joint ventures with them, perhaps involving its North American operations.

Royal is likely to sell at least part of its 18.8 per cent stake in Aachener, probably to Fondiaria. "But there is far more to the deal than simply the sale of Royal's Aachener shares," said the financier. "The shareholding in Aachener has never been properly exploited." Morgan Grenfell, the London merchant bank owned by Germany's Deutsche Bank, has recently been hired by Aachener to advise it on the deal.

Royal's results for nine months to October 31 are due on Thursday. However, they are unlikely to disclose anything about the negotiations at that time. Instead Royal will give comprehensive details of its losses from mortgage indemnity policies. City analysts believe Royal's pre-tax losses could be as high as £200m ($353.5m). Speculation about the extent of those losses has undermined its share price, which closed yesterday at 294p, down from a high for the year of 491p.

Strategic links between European insurers are becoming more popular. Fondiaria and Aachener own about 5 per cent of each other and have a close working relationship. Mr Wolf-Dieter Baumgartl, the chairman of Aachener's management board, is an enthusiastic advocate of forming such links rather than making takeover bids. "This is a much more intelligent way of expanding in Europe," he said earlier this year.

Every partner would remain independent in its own market but elsewhere they would act as a single unit, he said.

British Steel shares hit by payout warning

By Andrew Baxter in London

SHARES in British Steel plunged almost 20 per cent yesterday after the privatised steelmaker announced a collapse in first-half pre-tax profits and warned investors about the level of its final dividend.

The warning, accompanied by a gloomy statement on the business outlook, cast a pall over the London stock market and prompted the highest volume of trading in British Steel shares since dealings began in December 1988. The shares fell from 114p to a new low for 1991 of 92p.

British Steel's figures illustrate the pressure on the European steel industry as overcapacity and lower volumes prompt manufacturers to attack their rivals' formerly secure domestic market shares, lowering prices generally.

British Steel says the trend cannot continue without putting important capital investments at risk, and is already limiting new projects to those which have a rapid payback or which reflect the need for essential replacement equipment.

Pre-tax profits for the six months ended September 28 dropped from £307m a year earlier to £19m ($33.8m), with the recession in the UK economy and severe price weakness worldwide in all steel markets combining to bring a marked reduction in trading margins.

Sir Robert Scholey, chairman, said there was no sign of any upturn in the group's major markets.

He warned of further job cuts in the second half of the year, on top of the 4,500 job reductions in the first six months, reducing the UK workforce to 47,100.

British Steel's first-half turnover fell from £2.51bn to £2.28bn, and the pre-tax profits were struck after £42m of exceptional items, mainly due to redundancy and other rationalisation costs, compared with £15m a year earlier.

Earnings per share fell from 11.85p to 0.65p, and the interim dividend was unchanged at 3p a share. But it was Sir Robert's remarks about the final dividend that unsettled investors.

"The board believes that a marked improvement in trading prospects by the middle of next year will be needed to keep an appropriate balance between operating cash flows, the investment requirements of the group, the cost of continuing rationalisation, the payment of dividends and the need to maintain a robust capital base," he said. The total dividend payment in 1990/91 was 8.75p a share.

The company's proposed venture with Bethlehem Steel also looked at risk last night after British Steel said talks with the United Steelworkers union were making little progress.

Bethlehem venture talks, Page 9; Lex, Page 24; London market report, Page 35

Belzbergs to lose control of First City

By Bernard Simon in Toronto

THE BELZBERG family, once among north America's foremost corporate raiders, is about to lose control of its debt-burdened flagship company, First City Financial.

First City's shareholders, including family patriarch Mr Sam Belzberg, yesterday in Toronto approved a restructuring plan giving holders of C$305m (US$274.7m) of Swiss franc bonds and other creditors an 80 per cent equity stake in the company.

The plan requires court approval, expected early next month.

The restructuring will shrink the Belzberg family's stake in First City from 80 per cent to 15.2 per cent. However, the remainder of the company will probably continue to be run by Mr Sam Belzberg's nephew, Mr Brent Belzberg.

The three Belzberg brothers, Sam, Bill and Hyman, ventured beyond their core property and financial services businesses in the mid-1980s with corporate "greenmail" forays, including an abortive attempt with Texan corporate raider Mr T. Boone Pickens to take over Gulf Oil.

However, the property slump and a mounting failure rate in takeover battles left First City unable to service its debt. The company lost C$320.6m in the first half of this year, mainly because of hefty writedowns.

First City's term debt totalled C$1.4bn on June 30. Under the restructuring plan, creditors will exchange C$305m in debt for their equity stake in a new company called Harrowston as well as C$100m in Harrowston notes.

First City's chief assets are its 90 per cent interest in First City Trust, a mid-sized Canadian financial institution, and property holdings.

Under Mr Brent Belzberg's more conservative leadership, the company has indicated it will try to sell off most of its remaining assets to realise some residual value for shareholders.

From deep in the forest, a cry of woe

A report by **John Burton** in Stockholm, **Bernard Simon** in Toronto and **Paul Abrahams** in London

A BLEAK winter has set in for the forestry, paper and pulp industries. Ferocious price-cutting, idle machines and a sea of red ink are hitting European and North American companies hard in this highly cyclical sector.

In Europe, where the industry plunged into recession later than in the US, depressed markets show no sign of recovery and some once-stronger markets are now starting to slow. In North America, the first glimmers of a recovery are appearing, but the upswing is likely to be slow and spotty, with Canadian producers particularly badly hit.

The depressed European markets are the UK, Italy, France and the Benelux countries. Hitherto stronger areas, such as Scandinavia and Germany, are also now beginning to feel the effects of recession, according to Mr Bo Berggren, president of Stora, the Swedish paper and pulp group.

"We'll have wait the next three, four or even five quarters before an upturn," he says. "The crystal ball is still far from clear."

Given poor demand and overcapacity, earnings by Swedish concerns, such as Stora, SCA and MoDo, are expected to drop by 75 per cent this year to SKr2bn ($333m) from SKr8bn a year ago.

Swedish companies were only partly successful in restructuring their operations during the late 1980s by concentrating on higher-valued paper products and reducing their dependence on pulp, which is more sensitive to price swings.

Both Stora and SCA now say, however, that all the pulp they produce is consumed internally – one reason why these two have done better than their big competitors.

Overcapacity in North America poses another problem for Swedish producers. US and Canadian companies have used the advantage of a cheaper dollar to increase exports of pulp, kraftliner and newsprint – markets in which the Swedes are Europe's main producers.

Sales of Canadian newsprint increased by more than 60 per cent between June and August this year compared with the same period in 1990, according to Credit Suisse First Boston. This export drive has mostly been at the expense of Scandinavian companies, whose export volumes fell more than 7 per cent in July.

Prices for newsprint have so far held up in Northern Europe, but are likely to remain depressed when Norske Skog, the Norwegian group, starts production at its new site in Golbey, France. Credit Suisse First Boston forecasts prices could fall about 2 per cent next year, with some additional demand created by the UK and US elections and the Olympic Games.

Finnish producers are also affected by the North American export drive, as well as high costs and a sharp fall in timber sales to the depressed construction industry. Finland's four biggest forestry companies – Repola, Kymmene, Enso-Gutzeit and Metsa Serla – reported combined losses of FM2.15bn ($537.5m) for the first eight months of 1991.

New machine start-ups worldwide

	'90	'91	'92
Newsprint	8	9	4
Tissue	22	12	4
Wrapping/packaging	7	2	2
Liner/fluting	12	7	6
Board	7	3	3
Other	33	30	11
Total	89	63	30

Source: Valmet

Kleinwort Benson predicts that the next earnings peak for Nordic forestry companies will occur in 1994-95 as a stronger dollar curbs North American exports, and restructuring brings Nordic production costs in line with their principal competitors.

Meanwhile, in North America, the first glimmers of a recovery are now appearing. Prices of some paper grades have edged up in recent months, and production is slowly expanding.

"In pulp and paper we believe we have passed the low point of the recession and business is turning up," said Mr Marshall Hahn, chief executive of Georgia-Pacific, the continent's second-biggest forestry group, a few weeks ago when he reported a $27m third-quarter loss.

But relief that the worst may be over is tempered by expectations that the upswing will be slow, patchy and, in the case of pulp and newsprint, delayed until well into 1992.

Canadian producers, once among the giants of the pulp and newsprint industry, will be gasping for breath for years to come. Every big Canadian company suffered a third quarter loss. In the short term, the Canadian industry's competitive edge has been blunted by a strong currency, high labour costs and outdated machinery.

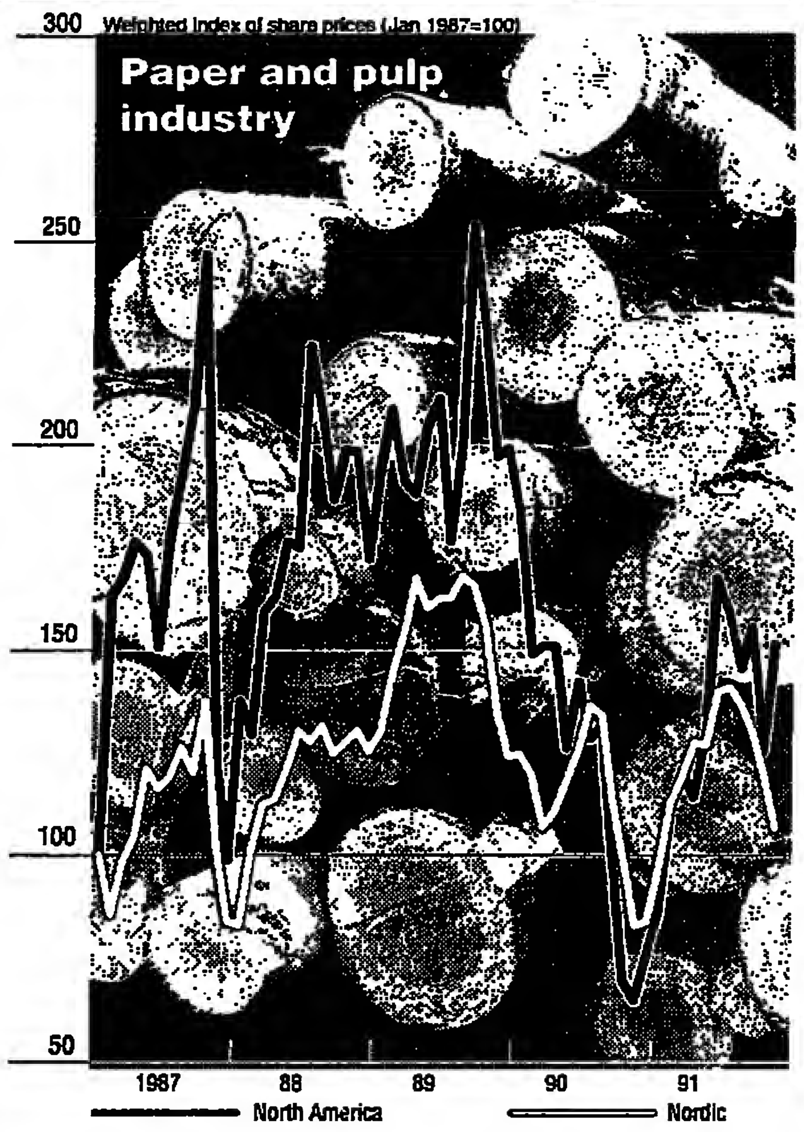
"There's a greater level of desperation among the Canadians," says Mr Bill Hee, who buys newsprint for the Gannett chain of newspapers. Mr Hee says that newsprint suppliers to the US west coast are quoting discounts of 25-30 per cent off their list price.

Mr Mark Rogers, analyst at Prudential Securities in New York, predicts a divided outlook for the North American forestry companies.

The best prospects are for wood products, such as panelling and plywood. Supplies of high-quality timber are dwindling, as environmental pressures put more virgin forest out of bounds. The industry also invested small amounts in this side of the business during the last boom, thus avoiding the surplus capacity which has hit pulp and newsprint.

Mr Lawrence Ross, forestry analyst at Paine-Webber in New York, predicts that companies with access to large tracts of timber, such as Georgia-Pacific, Louisiana-Pacific and Weyerhaeuser in the US, and MacMillan Bloedel in Canada, will be in a relatively strong position.

On the other hand, markets for pulp, newsprint and specially-coated papers will take a long time to thaw. Mr Sherman Chao of Salomon Brothers predicts that "paper demand will be much slower in the 1990s", squeezed by environmental pressure and electronic office communications. If he is right, companies cannot just wait for economic recovery: success will depend on relentless development of new products.



UK plan to buy back BT shares

By Hugo Dixon and Roland Rudd in London

THE UK government may buy back up to £400m ($712m) of BT shares to minimise the chances of the share price falling after next month's sale.

The intention is to protect long-term investors from the share price being driven low by short-term speculators.

SG Warburg, the government's lead adviser, said the mechanism was common practice in international equity offers and UK convertible share issues. It had not been used in previous privatisations because these were fixed-priced offers, unlike the BT sale where the price will be set by tender at the end of the marketing process.

The mechanism, known as "stabilisation", is likely to prove controversial, as it amounts to a legalised form of price manipulation.

The Securities and Investments Board, the overall regulator for the City of London's securities markets, allows the practice, but only within tightly defined rules.

The stabilisation will consist of two stages. First, the bank may allocate to institutional investors more shares than the government plans to sell. It will be able to allocate up to 15 per cent of the institutional share offer – equivalent to about £400m.

In the second stage, it may buy the shares back for a month after the sale if the share price falls as a result of "undue selling pressure". But if the shares go to a premium, SG Warburg will not buy back the extra shares and so the government will end up selling a larger stake than planned.

The government intends to sell about £5.5bn of stock, with the stabilisation option taking it to about £6bn. This compares with its earlier intention of selling £5bn of shares.

Warburg argued that stabilisation would help establish a smooth and orderly market. However, it said it could not prevent the BT share price falling in adverse market conditions.

The bank said it was confident it would be able to announce tomorrow, when the pathfinder prospectus is published, strong overseas institutional demand.

Its initial forecasts show demand from institutions in the UK and elsewhere will exceed £5bn. Institutions are expected to be sold about £3bn in stock with the remaining £3bn sold to retail investors.

Several international stockbrokers, however, said it was premature to make predictions.

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BAe to sell parts unit in refocusing strategy

By **Paul Betts**, Aerospace Correspondent, in London

BRITISH Aerospace is to sell an aircraft components subsidiary in Hampshire, southern England, which employs 1,700 people.

BAe is selling Aerostructures Hamble (AHL) because it regards the unit as a peripheral activity which no longer fits with the group's strategic objectives.

BAe set up AHL in 1989 as a separate company producing parts for BAe aircraft programmes and outside customers such as Saab, the Swedish aircraft-maker, and Westland, the UK helicopter group.

BAe said the company, which has yearly sales of £60m ($107m), was expected to be sold by competitive tender early next year.

Several potential buyers are understood to have shown interest, and BAe did not rule out the possibility of an overseas purchaser.

BAe said in a note to the subsidiary's employees that the company's recent rights issue prospectus had outlined the strategy of selling certain peripheral activities as part of a rationalisation programme.

Core businesses include its defence and civil aerospace activities, its Rover car operations and property interests.

BAe has indicated it is seeking partners for its regional and commuter aircraft operations.

BAe unions said their first reaction was to oppose the sale of AHL, and they were seeking urgent meetings with BAe management.

BAe has told AHL employees that the subsidiary will be sold as a going concern.

AHL has contracts to supply components to other parts of BAe for the next three years.

After initial bids have been received, a short-list of buyers will be involved in detailed negotiations with the aim of completing the sale by the first quarter of next year.

German drugs group takes 55% of Dutch wholesaler

By **Ronald van de Krol** in Amsterdam

FERD. SCHULZE, a privately-held German pharmaceuticals wholesaler, plans to pump Fl 60m ($32m) into Medicopharma of the Netherlands, giving it a stake of more than 55 per cent in the ailing, bourse-listed Dutch pharmaceuticals wholesaler.

Medicopharma's financial problems led it to close its operations in the UK last week.

Schulze intends to buy Fl 60m worth of new shares in Medicopharma at Fl 13.50 each compared with yesterday's closing price of Fl 17.10. Trading in Medicopharma's shares had been suspended last week ahead of yesterday's announcement.

Following its UK divestment, Medicopharma has annual sales of Fl 800m and a workforce of 1,000.

Schulze, which has annual turnover of DM2.6bn ($1.58bn), already owns a minority stake in ACF, another leading Dutch pharmaceuticals wholesaler.

Taiwan airline flies to Europe

EVA Air, the recently-established Taiwanese airline, will today launch its first service between Taiwan and Europe, intensifying competition on Europe to Asia-Pacific routes, writes Paul Betts.

EVA, owned by the shipping group Evergreen Marine Corporation, is starting its European services with two direct flights a week between Taipei and Vienna. Several Asia-Pacific carriers, including Singapore Airlines and Thai International, are using Vienna as a gateway for their European services.

The move is likely to increase competition for Lauda Air, the Vienna-based airline owned by Mr Niki Lauda, which has concentrated in building up a network of scheduled services to the Asia-Pacific region.

Two parts of Zeiss rejoin after 45 years

By **Andrew Fisher** in Frankfurt

CARL ZEISS, the German optical company with one of the country's best-known industrial names, has been reunited after 45 years as two parts.

Control of the east German company, Carl Zeiss Jena, has passed to the west German concern, Carl Zeiss, which built itself from scratch in the small town of Oberkochen after the post-Second World War division.

"There is only one Zeiss worldwide", said Mr Horst Skoludek, chief executive of the west German company, after talking yesterday of the contract signed at the end of last week. "Carl Zeiss Jena is part of us. Carl Zeiss Jena is no longer a competitor."

Carl Zeiss, Oberkochen, which is owned by a foundation, has acquired 51 per cent of Carl Zeiss Jena for a nominal DM1 from the Treuhand, east Germany's privatisation agency. The rest is held by the east German state of Thuringia, in which Jena is located.

Jena is the original headquarters of Zeiss, from which its top managers and scientists fled to the west in 1945 when Thuringia was transferred to Soviet occupation after its liberation by US troops.

The reuniting of the two operations has created a company with a turnover of DM2.5bn ($1.5bn), of which only DM200m will stem from east Germany next year. Zeiss Oberkochen, which employs 14,400 people, will take over 3,000 Zeiss Jena employees.

Thuringia's stake is held through Jenoptik, the company formed to take over the non-optical interests of the east German Zeiss, which built up electronic and military interests under the old East Berlin regime. It employed 69,000 people.

To finance the east German Zeiss's new beginning as part of west German Zeiss, the Treuhand is providing funds of DM587m. In five years, Mr Skoludek hopes that Zeiss's east German turnover will reach DM350m. He said Jena would not be used just as an assembly operation.

Phone service aims to leap into the 1990s

Haig Simonian on state investment efforts to update Italy's antiquated telecoms system

USERS of SIP, Italy's state-owned telephone monopoly, are used to the daily lottery of wrong numbers and disconnected calls that are symptomatic of years of under-investment and mismanagement of the network.

Yet for investors, SIP's ordinary and savings shares, which are partly-quoted, have a more pleasing ring. Popular with foreign institutions, the company's stock has lately been one of the best performers on the lacklustre Milan bourse.

SIP's appeal rests on increasing profit expectations on the back of long-awaited tariff increases and technological improvements. First-half operating profits surged by 54 per cent to L604.5bn ($489m), while turnover climbed 16 per cent to L9,460bn.

Earnings will not maintain the same pace for the whole year as the second half is usually slower, says Mr Ernesto Pascale, SIP's chairman. However, analysts expect this year's net profits at least to recover to the L471bn made in 1989, after dipping to L401.6bn last year. A higher dividend is also likely, although analysts are divided as to whether that will come this year or in 1992.

Mr Pascale, who took over in May, will only reveal that earnings "will be positive and better than the previous year".

Closer to his heart is the need to reorganise Italy's telecoms sector if SIP is to deliver its full financial potential, let alone offer a decent service. For Mr Pascale, the crux lies in the long-awaited reshuffling of responsibilities between SIP and ASST, the government agency responsible for inter-city telephone links.

At present, SIP handles just the urban end of domestic calls, so a call from Milan to Rome starts and ends on SIP lines, but travels along ASST cables between.

SIP's L44,000bn four-year drive to install digital exchanges and fibre-optic links should help improve services, particularly in Italy's three biggest cities of Rome, Milan and Naples. But its spending is of

Ernesto Pascale: pulling SIP out of a tariff straitjacket

limited value when trunk calls are ASST's responsibility. "SIP is investing much more than ASST, and there hasn't been much co-ordination", says one industry analyst.

A 1988 bill to abolish ASST reached parliament this year. Approval seemed within reach in October, but debate was postponed following last-minute amendments. But after a successful meeting with unions last week, SIP hopes the measure will be approved soon.

If so, it will remove one element of Italy's extraordinarily fragmented telecoms system, where three separate monopolies, apart from ASST, handle different segments of the business. Italcable and Telespazio handle international connections and satellite links respectively. All three are owned by STET, the quoted holding company, in turn owned by the IRI state holding company.

Confidence about the financial benefits of SIP's huge investment plan has also supported its share price. "Only Germany is spending more, and that includes the east", says Mr Pascale. The company is striving to make up for years of neglect to regain the position it held in the early 1970s, when Italy's phones were on a par with most European neighbours, he says.

While France and Germany ploughed money into telecoms thereafter, SIP was tied to a low investments, low tariffs policy which was exacerbated by Italy's hyper-inflation at the time. Public-sector investment was partially frozen and tariffs were kept low to combat inflation and appease voters.

He wants to catch up on both tariffs and investment. The L5,000bn-a-year 1988-91 investment plan has been stepped up to L11,000bn yearly for 1992-95. SIP also aims to increase the number of subscribers from the end-1990 figure of 38.7 per 100 inhabitants – low compared with the UK or Germany.

The company needs both higher charges and greater borrowing to finance the programme. Shareholders will also have to bear some burden, although many will balk at another jumbo rights issue after SIP's L1,200bn and L893bn cash calls in the past two years. However, Mr Pascale hints that a further rights issue is likely during the life of the investment programme.

SIP's current price structure is highly cross-subsidised, with some of Europe's most expensive inter-city calls making up for cheap local tariffs. And domestic line rental is also a bargain.

In January, SIP took its first step to realign charges, with a 5 per cent average increase. "We have barely begun," says Mr Pascale. He would like to see a further 5 per cent average rise next year.

However, SIP will have to break out of a government straitjacket on tariffs first. It wants to negotiate a long-term agreement with ministers, giving it freedom to raise charges within set limits over three years, subject to meeting quality and productivity targets. Like the ASST link, that awaits government approval.

Mr Pascale claims that the greater freedom will eventually allow SIP to pass on the fruits of its investment programme to customers in terms of lower prices and better services. Assuming 6 per cent inflation in 1992 and 5 per cent in 1993, SIP plans to keep its price rise to 1 per cent in 1993 and "hopes to reduce" prices in 1994-95, he says.

That may be a tall order, considering the competition facing the group.

For example, this year Mr Carlo Vizzini, the telecoms minister, outlined plans to open the mobile communications market, now a SIP monopoly, to outside competition.

Portable telephones have proved an unexpectedly sudden money-spinner for SIP. Undaunted by a swingeing L300,000 tax, demand has rocketed with a 200 per cent rise in the number of subscribers this year. There are now about 500,000 portable phones in use, and SIP envisages 1.3m by the end of 1994.

Mr Pascale will not disclose how profitable the new business has been for SIP. But his fighting talk about not conceding SIP's contractual right to run Italy's phone service free of competition until 2004 without compensation is an indication of how popular, and lucrative, portable phones have become.

Cypriots buy into Ulster bottler

HELLENIC Bottling Company (HBC), the Cypriot-owned company which holds the Coca-Cola franchise for Greece, the Irish republic and Nigeria, is to pay £9.25m ($16.5m) for a 55 per cent stake in Coca Cola Bottlers Ulster (CCBU), writes Kerin Hope in Athens.

Main shareholders of CCBU, which produces and distributes Coca-Cola in Northern Ireland, are the Leventis group of Cyprus, which controls HBC, and the Robinson family group.

CCBU forecasts pre-tax profits of around £5m for 1991 on sales of £42m.

HBC is also holding talks with several Bulgarian soft drinks manufacturers on setting up a joint venture to launch Coca-Cola in Bulgaria.

The company would hold a controlling stake in the venture, provide over 50 per cent of start-up capital and take charge of management. At least five Bulgarian companies are interested, but no agreement can be reached until the legal framework for foreign investment in Bulgaria is clarified.

Fiat to hive off Ford New Holland

By **Andrew Baxter**

FIAT, Italy's largest private sector company, has clarified the position of the Ford New Holland construction equipment business in the potential three-way European venture that includes Japan's Hitachi Construction Machinery and Deere of the US.

The Ford New Holland business is to be hived off from the Fiat-controlled NH Geotech agricultural and earth-moving equipment group, with the much larger Fiatallis and Fiat-Hitachi businesses.

But Ford New Holland, which mainly produces backhoe loaders and skid-steer loaders, will be kept separate from the potential Fiat/Deere/Hitachi venture.

Fiat had already made clear last week that the new arrangement would maintain the brands and distribution networks currently in operation.

All of these securities having been sold, this announcement appears as a matter of record only.

November 1991

TOTAL

Global Offering
3,100,000 B Shares

13,600,000 American Depositary Shares
Representing 1,700,000 B Shares
Offer Price $19.48 Per American Depositary Share

This portion of the offering was offered in the United States by the undersigned.

Lehman Brothers

Goldman, Sachs & Co.

Morgan Stanley & Co.
Incorporated

Bear, Stearns & Co. Inc. | The First Boston Corporation | Alex. Brown & Sons Incorporated | Crédit Lyonnais Securities (USA) Inc. | Dillon, Read & Co. Inc.

Donaldson, Lufkin & Jenrette Securities Corporation | A.G. Edwards & Sons, Inc. | Kemper Securities Group, Inc. | Kidder, Peabody & Co. Incorporated | Lazard Frères & Co.

J.P. Morgan Securities Inc. | Oppenheimer & Co., Inc. | PaineWebber Incorporated | Paribas Corporation

Prudential Securities Incorporated | RBC Dominion Securities Corporation | Salomon Brothers Inc | Smith Barney, Harris Upham & Co. Incorporated

Société Générale Securities Corporation | S.G. Warburg Securities | Wertheim Schroder & Co. Incorporated | Dean Witter Reynolds Inc. | Wood Gundy Corp.

Advest, Inc. | Arnhold and S. Bleichroeder, Inc. | Robert W. Baird & Co. Incorporated | Hanifen, Imhoff Inc.

Ladenburg, Thalmann & Co. Inc. | Petrie, Parkman & Co., Inc. | The Robinson-Humphrey Company, Inc.

800,000 B Shares
Offer Price FF 903 Per B Share

This portion of the offering was offered in France by the undersigned.

Banque Paribas | **Crédit Lyonnais**

Banque Indosuez | Banque Nationale de Paris | Société Générale

Lazard Frères & Cie

Caisse Nationale de Crédit Agricole

Caisse Centrale des Banques Populaires | Caisse des Dépôts et Consignations

Banque de Neuflize, Schlumberger, Mallet | Crédit Commercial de France

Banque du Phénix | Banque Worms | Compagnie Financière Barclays, de Zoete, Wedd | Compagnie Financière de C.I.C. et de l'Union Europeenne

Crédit du Nord | Demachy, Worms & Cie | J.P. Morgan & Cie S.A.

Banque Eurofin | Crédit National

Banque Arjil | La Compagnie Financière Edmond de Rothschild–Banque

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600,000 B Shares
Offer Price FF 903 Per B Share

This portion of the offering was offered outside the United States and France by the undersigned.

Credit Suisse First Boston Limited

S.G. Warburg Securities | **Lehman Brothers International**

Paribas Capital Markets Group

ABN AMRO | Cazenove & Co. | Crédit Lyonnais Securities | Deutsche Bank Aktiengesellschaft | Enskilda Securities Skandinaviska Enskilda Limited | Generale Bank

Goldman Sachs International Limited | Kleinwort Benson Limited | Nikko Europe Plc | Swiss Bank Corporation | UBS Phillips & Drew Securities Limited

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Global Coordinators

Lehman Brothers International | **Paribas Capital Markets Group**

INTERNATIONAL COMPANIES AND FINANCE

Barlow Rand better than expected

By Philip Gawith in Johannesburg

A SOLID second-half performance saw Barlow Rand, South Africa's largest industrial company, report better-than-expected profits for the year to September.

Turnover rose 10 per cent to R32bn ($11.4bn), while operating income advanced 4 per cent to R2.57bn.

But earnings per share dropped 7 per cent to R4.309 – attributable profits were 6 per cent down at R806m. This, however, was an improvement on the 14 per cent fall in the first half, which analysts had expected to be repeated. Increased interest charges and a rise in profits attributable to outside shareholders were the main reasons for the lower profits.

Mr Warren Clewlow, executive chairman, said the results were "pleasing" given the political unrest and an economy showing negative growth.

The year saw the resolution of two issues: the disposal of under-performing mining assets in the Rand Mines subsidiary, and the reduction of the effect of a downturn at wholly-owned Middelburg Steel and Alloys (MS&A).

Rand Mines is now a debt-free coal house, having sold forestry and chrome interests and most of its stake in the troubled Barplats platinum group.

Barlow Rand also accepted an offer in September from an Anglo American/Gencor consortium to purchase MS&A for R1.075bn. Mr Clewlow said this deal provided Barlow with cash which could be used for "something new". He said discussions concerning several acquisitions were under way.

Extraordinary losses of R433m related mainly to Rand Mines where the principal write-off related to the investment at Barplats, which was written down to market value.

In the group's industrial activities, firm demand for consumer goods was matched by a slowdown in the capital goods markets. Mr Clewlow said he was pleased by the performance of J. Bibby, the UK-based subsidiary.

The dividend was maintained at 170 cents a share. Shareholders have been offered, for the first time, the choice of receiving the final dividend in cash or shares.

Murdoch boosts eastern exposure

Raymond Snoddy on the plans for Germany's new tabloid newspaper

SUPER! ZEITUNG, the new *Burda-Murdoch tabloid* newspaper aimed at the people in what used to be East Germany, is planning to expand after only six months publication. Sales of the paper launched in May from the offices of the old East German propaganda service, the ADM news agency, have already topped 500,000 on three occasions and are averaging around 485,000 copies an issue.

The paper has ladies with large breasts on page one – along with bingo – on page three, and sometimes several other pages as well, and a daily feature is the Orgasmus Report 91. But Super! also carries hard-hitting stories exposing high-ranking members of the Stasi, the former East German secret police, and the health threat posed by asbestos in an estimated 2m flats in the east.

"This is journalism of the head, the heart and sometimes a bit of the stomach, too," says Super! editor Mr Peter Bartels, who came from Bild, the broadsheet paper with tabloid values which has been challenged in the east by the new title. Super!, which costs 30 pfennigs, claims it now has a bigger circulation in the east than the 60 pfennig Bild, although that is disputed.

Super! may produce a separate edition for Berlin

Senior editorial staff of Super! are now planning separate editions for Berlin which could be launched within a few months if formal permission is given. There are also plans to turn Super! into a seven-days-a-week operation by publishing a Sunday paper to challenge Bild in the east.

Dr Hubert Burda, the German publisher, and Mr Rupert Murdoch, chief executive of News Corporation - Super! is a 50-50 joint venture - have yet to take a decision on whether or when Super! should expand.

"Burda wants it. Murdoch is a bit of a reluctant debutante," said Dr Karsten Schmidt, director of international operations for News International.

A separate edition is almost certainly needed if Super! wants to increase its circulation in Berlin. The newspaper's main selling point is that it has been set up specifically to represent the interests of the people in the east and it hardly sells at all in what used to be West Germany. Many of the stories, for instance, offer advice on how to claim heating allowances or how to cope with rent increases.

There is a longer term hope that one day Super! could become a national German newspaper, but that seems years off. "If the east-west discrepancies vanish then we would have to adapt and that is when we go national," said Dr Schmidt.

Super! was launched with remarkable speed and in extraordinary circumstances. An enormous disused factory which made pre-fabricated cement sections for housing 25km from Berlin was bought in December. It was transformed into a printing plant in less than six months complete with 15-year-old surplus colour presses from the Yorkshire Post and the latest computer printing technology.

East German cement workers were turned into printers. First they went on a crash course in English and then were off to Rupert Murdoch's London headquarters at Wapping to learn to be printers.

As plans for expansion of Super!, which has involved an investment of up to DM200m ($123.4m), are given serious consideration *Rupert Murdoch has another* east European weapon waiting in reserve.

If further opportunities to launch newspapers in eastern Europe or the Soviet Union come up, Mr Murdoch can move immediately with 48 serviceable presses recently replaced at Wapping.

"The presses are in boxes and it wouldn't cost us a penny. But we have not decided whether to do it or where to do it," said Dr Schmidt.

Digital to expand in Europe

By Louise Kehoe in San Francisco

DIGITAL Equipment, the world's second largest computer manufacturer, aims to strengthen its role in the $17bn market for computers used by small and medium-sized businesses in Europe by forming a new group of marketing, sales and service companies.

The formation of the Digital Equipment Enterprise group follows the completion yesterday of Digital's acquisition of most of Philips' Information Systems Division operations.

By the end of November, the US company will have established Digital Equipment Enterprise companies in the UK, Germany, France, Spain, Austria, Switzerland, the Netherlands, Belgium and Italy, with Scandinavia to follow. The new marketing units will operate alongside Digital's existing European subsidiaries which will focus on large accounts.

"Digital Equipment Enterprise will be mainly a sales, marketing and services company with around 70 per cent of its business coming through indirect, value-added channels," said Mr Wolfgang Jaeger, Digital's vice-president of SME (small and medium-size enterprises) in Europe.

Digital is also planning a new thrust in the European banking market, based upon products acquired from Philips. Included in the acquisition is the full range of Philips retail banking software applications, hardware products and services. It also includes Philips' activities in small and medium enterprise products and services.

Philips has retained its activities in the field of dictation systems and smart cards, as well as manufacturing operations in Eiserfeld, in Germany, and Apeldoorn, in the Netherlands.

About 7,000 employees will be transferred from Philips to Digital as a result of the agreement. Philips and Digital also reconfirmed their agreement to explore other possibilities for co-operation in areas such as document processing, imaging and personal computers.

Zenith to cut 600 jobs in Taiwan

By Barbara Durr in Chicago

ZENITH Electronics of the US is to stop making monochrome computer monitors at its Taiwan plant, with the loss of about 600 jobs. It will retain a small staff to operate a purchasing office there.

The company said its sourcing from Taiwan for picture tubes and other components will continue to amount to "millions of dollars".

But the decision to restructure its Taiwanese operations is part of a plan to consolidate assembly of computer monitors and televisions in Mexico by next spring.

Zenith, the last US maker of televisions, has been operating in Mexico for 20 years and "we've been consolidating our operations there over that time," said a spokesman.

The company said last month it would shift 1,200 of 1,600 jobs at a Springfield, Missouri, television assembly plant to Mexico.

The company is trying to cut costs dramatically following several dismal years of losses. For the first nine months of this year, it reported losses of $52.1m, or $1.82 a share, about double the losses for the same period in 1990.

Power Corp tumbles 31% to C$104m

By Robert Gibbens in Montreal

POWER Corp of Canada, the senior holding company of Montreal financier Mr Paul Desmarais, suffered a 31 per cent decline in nine-month earnings because of lower interest income and currency adjustments.

It saw profits decline to C$103.9m (US$93.6m), or 77 cents a share, from C$150.7m, or C$1.14 a share, a year earlier.

Power Financial, the 70 per cent-owned financial services and industrial holding company, through which Mr Desmarais controls 25 per cent of Geneva's Pargesa, saw net profit for the nine months fall to C$129m, or C$1.43 a share, a decline of 22 per cent from a year earlier.

The fall was mainly due to lower contributions from its life insurance subsidiary and from its communications and forest products investments.

Power Corp's third-quarter profit was down 16 per cent and Power Financial's declined by 7 per cent.

● Domtar, the Canadian pulp and paper and building material group, recorded a net loss of C$104m, or C$1.26 a share, for the first nine months, against a loss of C$31m, or 47 cents a share, a year earlier. Sales for the period were C$1.37bn, down 18 per cent.

The third-quarter loss was C$39m, or 44 cents a share, against a loss of C$22m, or 29 cents a share, a year earlier, on sales of C$454m, down 16 per cent.

HK extends electricity agreement

By Angus Foster in Hong Kong

HONG Kong has approved in principle a 15-year extension to the scheme of control agreement with China Light and Power and Exxon Energy, the joint venture with monopoly rights to supply electricity to Kowloon, the New Territories and the island of Lantau.

The scheme, which runs from September 1993, is essentially unchanged and permitted profits for shareholders will remain between 13.5 per cent and 15 per cent of average net fixed assets. The government will introduce requirements for the companies to develop programmes aimed at energy conservation.

INTERNATIONAL COMPANIES AND FINANCE

Reliance Industries seeks listing in Europe

By David Housego in New Delhi

RELIANCE Industries, the Indian petrochemicals and textiles group, plans to seek a European listing for its shares by raising $125m in equity or Euro convertible bonds.

The group, controlled by the Ambani family, is only the second Indian company to propose raising equity funds abroad. Tata Iron and Steel (Tisco) also announced last month it would be seeking shareholders consent to raise up to $100m in equity or Euro-convertible issues as part of a policy of making itself better known on European markets.

The Indian government has only recently allowed Indian companies to offer their shares on foreign markets. Reliance and Tisco have been encouraged to test the water first as two of the largest Indian companies and among the most successful in tapping the domestic capital market.

Reliance, which recently backed down from a renewed bid to gain control of Larsen and Toubro, the Indian engineering group, announced it would be seeking a listing in London and Luxembourg after reporting virtually stagnant profits and turnover for the first six months of financial 1991-92.

On the basis of unaudited figures, turnover rose by 3 per cent to Rs10.6bn ($411m) against 2.5 per cent gain in after tax-profits to Rs830m.

The group also announced it was raising the ceiling on portfolio investment by expatriate Indians to 24 per cent of its equity. This follows a recent government move to liberalise holdings by expatriate Indians as a way of attracting more foreign exchange.

Strong demand lifts Casio 33%

By Robert Thomson in Tokyo

CASIO Computer, the Japanese electronics company, reported a 32.6 per cent increase in pre-tax profit to Y11.29bn ($86.64m) for the first half to the end of September as demand was strong for its mainline calculator and watch products.

Sales rose 17.1 per cent to Y165.2bn, from the same period last year, with growth continuing in demand for liquid crystal television sets, electronic address books, and multi-function watches. Musical instrument sales rose 17 per cent to Y19.2bn and sales of calculators were 14.7 per cent higher at Y63.6bn.

The company said that the success of new products, including small electronic notebook-type items and Japanese word processors, had boosted sales in spite of the slowing of domestic economic growth and the international recession. Exports, up to Y102bn from Y88bn, accounted for 61.9 per cent of total sales, down from 62.4 per cent.

Casio reported that the unrealised gains on its marketable securities holdings fell to Y6.57bn at the end of September from Y7.40bn at the end of March. The weakness of Tokyo stock prices has limited share dealing by Casio, and many other Japanese companies, which had regarded the Tokyo exchange as a cheap source of funds.

For the full year, Casio expects a 17.3 per cent increase in sales to Y330bn, and a 20.7 per cent rise in pre-tax profit to Y21bn.

Minolta Camera suffers first loss for 25 years

By Emiko Terazono in Tokyo

MINOLTA Camera, the Japanese precision instrument maker, saw its unconsolidated earnings fall into the red for the first time in 25 years for the interim period because of the higher yen and increasing competition.

The company posted a pre-tax loss of Y2bn ($15.3m), down from profits of Y4bn for the same period last year. Sales rose 5.5 per cent to Y112.9bn and the company reported an after-tax loss of Y2.3bn against a profit of Y2.3bn a year ago.

Minolta blamed a sharp rise in general management costs to Y1.5bn after the release of new cameras and other products. The company said that the appreciation of the yen had also affected profits since 76.7 per cent of sales relied on exports.

Camera sales, accounting for 43.9 per cent of turnover, fell 4.2 per cent to Y49.5bn because of tougher competition. Office equipment sales, however, rose 14.4 per cent because of brisk sales of the company's laser beam printing machine.

Minolta revised down its forecast for the full year, with break-even at the pre-tax level, on a 5.8 per cent rise in sales to Y235bn.

The company also revised down its consolidated projections and said that pre-tax profits, forecasted at Y6bn, would break even, and sales would stand at a 5.4 per cent rise to Y390bn, down Y30bn from the initial estimate.

Lion Nathan wins support in National Brewing bid

By Kevin Brown in Sydney

LION NATHAN, the New Zealand brewer, yesterday won approval for its proposed takeover of Australia's National Brewing Holdings from the Foreign Investment Review Board and shareholders of Australian Consolidated Investments (ACIL).

The deal was overwhelmingly supported by ACIL shareholders after Mr Geoff Hill, chairman, warned that the alternative was insolvency. ACIL, formerly Bell Resources, was forced into the deal by its need to raise A$140m (US$110m) due on Wednesday to holders of US dollar convertible bonds, who could otherwise apply to have the company put into receivership.

ACIL owns half of National Brewing, formerly the brewing arm of Mr Alan Bond's Bond Corporation. National is Australia's second largest brewer, with around 36 per cent of the market through its Toohey's, Swan and Castlemaine Fourex brands. Lion, which has 56 per cent of the New Zealand market, bought 50 per cent of National from Bond last year.

The complex deal provides for Lion to advance A$140m to ACIL in the form of bridging finance secured as a first charge over ACIL's interest in National Brewing.

In addition, Lion is offering 10 Lion Nathan shares for each ACIL share, equivalent to around A$152m. The deal is also conditional on the conversion of ACIL's Swiss franc 1996 and US dollar 2002 convertible bonds to long-term Lion Nathan subordinated capital notes.

ACIL shareholders also agreed to give Lion a call option to acquire ACIL's half share in National Brewing for A$425m plus 50 per cent of 1991/92 profits if the takeover is blocked.

Lion has given ACIL a put option to sell its National Brewing interest for A$420m plus 50 per cent of earnings if the call option is not exercised. The put option would allow ACIL to repay Lion Nathan's A$140m cash advance. Lion Nathan is raising NZ$200m to help finance the takeover through a placement of 80m shares.

Improved results for Singapore Press

SINGAPORE Press Holdings (SPH), the publishing group which has near control of the nation's newspaper industry, has announced improved results for the year to August 31, writes Joyce Quek in Singapore.

Group turnover rose 5 per cent to S$558.4m (US$332.4m) from S$531.6m, even though second half-year's returns were hurt by the Gulf war.

Group pre-tax profits rose 13 per cent to S$219.1m from S$194.1m, after a reduced provision for diminution in value of investments and a 30 per cent cut in depreciation charges to S$23.3m.

After a turnround to an extraordinary gain of S$5.5m from an loss of S$12.8m mainly due to a write-back of provisions, attributable profits were S$159.3m against S$120.6m.

Earnings per share grew to 89.18 cents from 78.99 cents while net tangible assets a share gained 48 cents to S$2.47. A final dividend of 17 cents brought the year's total to 25 cents against 30 cents in 1990.

Brambles set to offer US$274m for Ensco

By Kevin Brown

BRAMBLES, the Australian transport and industrial group, yesterday signalled a US$274m takeover bid for Environmental Systems (Ensco), a US waste management company of Arkansas.

Brambles holds 18 per cent of Ensco, but under a 1989 agreement the group cannot launch a bid for control without the approval of the company's board. An earlier offer of US$14 per share, valuing Ensco at US239m, was rejected.

In a letter filed with the Australian Stock Exchange, Brambles said its wholly-owned US subsidiary, Brambles USA (BUSA), had asked Ensco's permission to offer US$16 per share, valuing the company at US$274m.

Mr David Ferguson, BUSA president, asked Ensco to call a board meeting to consider the request. He said Brambles wanted to complete the transaction "as soon as possible".

Ensco made net profits of US$1.6m in the first nine months of the current financial year against US$5.4m in the same period last year.

Robt. Jones slides to NZ$8.2m

By Terry Hall in Wellington

ROBT. JONES Investments, the biggest publicly listed property company in Australasia, has reported a 65 per cent drop in profits to NZ$8.22m (US$4.58m) in the six months to September 30.

Sir Robert Jones, the chairman, said that the worst was over and steady growth in property values could be expected. There were "many positives" about New Zealand property but Australia would lag before turning to recovery.

He said the company expected improvement in the 150 commercial buildings it owned in New Zealand that were valued at up to NZ$10m. The same trend would occur next year for more valuable properties.

Extraordinary losses of NZ$1.14m reduced the profit to NZ$7.08m from NZ$23.5m. Preference share dividends of NZ$1.95m compared with NZ$6.68m left attributable profits of NZ$5.13m against NZ$16.88m. Gross revenues fell 8 per cent to NZ$64.03m from NZ$69.5m.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 11, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	56.0892	34.1652	43.1521
Albania	(Lek)	10.09	5.7021	3.4733	4.3869
Algeria	(Dinar)	38.75	21.8988	13.339	16.8478
Andorra	(Fr Fr)	9.9225	5.6075	3.4156	4.3141
	(Sp Peseta)	182.80	103.306	62.9259	79.4782
Angola	(Kwanza)	105.662	59.7129	36.3724	45.94
Antigua	(E Carr $)	4.7601	2.69	1.6385	2.0696
Argentina	(Austral)	17518.05	9900	6030.31	7616.54
Aruba	(Florin)	3.1558	1.7834	1.0863	1.372
Australia	(Aus $)	2.2505	1.2718	0.7746	0.9784
Austria	(Schilling)	20.435	11.5484	7.0344	8.8847
Azores	(Port Escudo)	250.20	141.396	86.1273	108.783
Bahamas	(Bahama $)	1.7695	1	0.6091	0.7693
Bahrain	(Dinar)	0.6658	0.3762	0.2291	0.2894
Balearic Is	(Sp Peseta)	182.80	103.306	62.9259	79.4782
Bangladesh	(Taka)	64.57	36.4905	22.2271	28.0739
Barbados	(Barb $)	3.5459	2.0038	1.2206	1.5416
Belgium	(Belg Fr)	59.90	33.8513	20.6196	26.0434
Belize	(B $)	3.526	1.9926	1.2137	1.533
Benin	(CFA Fr)	496.125	280.376	170.783	215.707
Bermuda	(Bermudian $)	1.7695	1	0.6091	0.7693
Bhutan	(Ngultrum)	45.62	25.7812	15.7039	19.8347
Bolivia	(Boliviano)	6.5143	3.6814	2.2424	2.8323
Botswana	(Pula)	3.7455	2.1166	1.2893	1.6284
Brazil	(Cruzeiro)	1234.31	697.547	424.892	536.657
Brunei	(Brunei $)	2.9690	1.6778	1.022	1.2908
Bulgaria	(Lev)	31.014	17.5269	10.676	13.4843
Burkina Faso	(CFA Fr)	496.125	280.376	170.783	215.707
Burma	(Kyat)	10.7573	6.0792	3.703	4.677
Burundi	(Burundi Fr)	344.26	194.552	118.506	149.678
Cambodia	(Riel)	1763.00	996.327	606.885	766.522
Cameroon	(CFA Fr)	496.125	280.376	170.783	215.707
Canada	(Canadian $)	2.0025	1.1316	0.6893	0.8706
Canary Is	(Sp Peseta)	182.80	103.306	62.9259	79.4782
Cp. Verde	(CV Escudo)	131.02	74.0435	45.1015	56.9652
Cayman Is	(CI $)	1.4633	0.8269	0.5037	0.6362
Cent.Afr. Rep	(CFA Fr)	496.125	280.376	170.783	215.707
Chad	(CFA Fr)	496.125	280.376	170.783	215.707
Chile	(Chilean Peso)	639.32	361.3	220.076	277.965
China	(Renminbi Yuan)	9.5107	5.3747	3.2739	4.135
Colombia	(Col Peso)	1101.89	622.713	379.308	479.083
Comoros	(CFA Fr)	496.125	280.376	170.783	215.707
Congo (Brazz)	(CFA Fr)	496.125	280.376	170.783	215.707
Costa Rica	(Colon)	233.07	131.715	80.2306	101.335
Côte d'Ivoire	(CFA Fr)	496.125	280.376	170.783	215.707
Cuba	(Cuban Peso)	1.3353	0.7546	0.4596	0.5805
Cyprus	(Cyprus £)	0.8050	0.4549	0.2771	0.35
Czechoslovakia	(Koruna)	51.84c	29.2964	17.845	22.5391
		50.01t	28.2622	17.2151	21.7434
Denmark	(Danish Kroner)	11.2675	6.3676	3.8786	4.8989
Djibouti Rep	(Djib Fr)	307.00	173.495	105.68	133.478
Dominica	(E Carrib $)	4.7601	2.69	1.6385	2.0696
Dominican Rep	(D Peso)	22.60	12.7719	7.7796	9.826
Ecuador	(Sucre)	1989.81o	1124.5	684.96	865.135
		2055.66a	1161.72	707.628	893.765
Egypt	(Egyptian £)	5.84	3.3003	2.0103	2.5391
El Salvador	(Colon)	14.1786	8.0127	4.8807	6.1646
Equat'l Guinea	(CFA Fr)	496.125	280.376	170.783	215.707
Ethiopia	(Ethiopian Birr)	3.6219	2.0468	1.2467	1.5747
Falkland Is	(Falk £)	1.00	0.5651	0.3442	0.4347
Faroe Is	(Danish Kroner)	11.2675	6.3676	3.8786	4.8989
Fiji Is	(Fiji $)	2.5950	1.4665	0.8932	1.1282
Finland	(Markka)	7.0960	4.0101	2.4426	3.0852
France	(Fr)	9.9225	5.6075	3.4156	4.3141
Fr. Cty/Africa	(CFA Fr)	496.125	280.376	170.783	215.707
Fr. Guiana	(Local Fr)	9.9225	5.6075	3.4156	4.3141
Fr. Pacific Is	(CFP Fr)	178.00	100.593	61.2736	77.3913
Gabon	(CFA Fr)	496.125	280.376	170.783	215.707
Gambia	(Dalasi)	15.99	9.0364	5.5043	6.9521
Germany	(D-Mark)	2.9050	1.6417	1	1.263

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	671.703	379.6	231.223	292.045
Gibraltar	(Gib £)	1.00	0.5651	0.3442	0.4347
Greece	(Drachma)	327.35	184.996	112.685	142.326
Greenland	(Danish Krone)	11.2675	6.3676	3.8786	4.8989
Grenada	(E Carr $)	4.7601	2.69	1.6385	2.0696
Guadaloupe	(Local Fr)	9.9225	5.6075	3.4156	4.3141
Guam	(US $)	1.7695	1	0.6091	0.7693
Guatemala	(Quetzal)	9.1784	5.187	3.1595	3.9906
Guinea	(Fr)	1432.07	809.308	492.967	622.639
Guinea-Bissau †	(Peso)	8815.00	4981.63	3034.42	3832.61
Guyana	(Guyanese $)	213.78	120.814	73.5903	92.9478
Haiti	(Goude)	8.815	5	3.0344	3.8326
Honduras	(Lempira)	9.4252	5.3264	3.2444	4.0979
Hong Kong	(HK $)	13.7297	7.759	4.7262	5.9694
Hungary	(Forint)	138.6576	78.3597	47.7306	60.2859
Iceland	(Icelandic Krona)	103.65	58.5758	35.6798	45.0652
India	(Indian Rupee)	45.62	25.7812	15.7039	19.8347
Indonesia	(Rupiah)	3490.92	1972.83	1201.69	1517.79
Iran	(Rial)	116.50	65.8378	40.1032	50.6521
Iraq	(Iraqi Dinar)	0.5936	0.3354	0.2043	0.258
Irish Rep	(Punt)	1.0875	0.6145	0.3743	0.4728
Israel	(Shekel)	4.18	2.3622	1.4388	1.8173
Italy	(Lira)	2182.25	1233.26	751.205	948.804
Jamaica	(Jamaican $)	31.03	17.536	10.6815	13.4913
Japan	(Yen)	230.00	129.98	79.1738	100
Jordan	(Jordanian Dinar)	1.1941	0.6748	0.411	0.5191
Kenya	(Kenya Shilling)	50.26	28.4035	17.3012	21.8521
Kiribati	(Australian $)	2.2505	1.2718	0.7746	0.9784
Korea North	(Won)	1.71	0.9663	0.5886	0.7434
Korea South	(Won)	1323.32	747.85	455.532	575.357
Kuwait	(Kuwaiti Dinar)	0.49295	0.2785	0.1696	0.2143
Laos	(New Kip)	1242.91	702.407	427.852	540.396
Lebanon	(Lebanese £)	1553.6	877.988	534.802	675.478
Lesotho	(Maluti)	4.9647	2.8057	1.709	2.1585
Liberia	(Liberian $)	1.7695	1	0.6091	0.7693
Libya	(Libyan Dinar)	0.4951	0.2797	0.1704	0.2152
Liechtenstein	(Swiss Fr)	2.5650	1.4495	0.8829	1.1152
Luxembourg	(Lux Fr)	59.90	33.8513	20.6196	26.0434
Macao	(Pataca)	14.1387	7.9902	4.867	6.1472
Madagascar	(MG Fr)	2938.50	1660.64	1011.53	1277.61
Madeira	(Port Escudo)	250.20	141.396	86.1273	108.783
Malawi	(Kwacha)	4.8482	2.7398	1.6689	2.1079
Malaysia	(Ringgit)	4.85425	2.7432	1.6709	2.1105
Maldive Is	(Rufiya)	18.5644	10.4913	6.3904	8.0714
Mali Rep	(CFA Fr)	496.125	280.376	170.783	215.707
Malta	(Maltese £)	0.5665	0.3201	0.195	0.2463
Martinique	(Local Fr)	9.9225	5.6075	3.4156	4.3141
Mauritania	(Ouguiya)	150.3134	84.9468	51.7429	65.3536
Mauritius	(Maur Rupee)	27.40	15.4846	9.432	11.913
Mexico	(Mexican Peso)	5296.77a	2993.37	1823.33	2302.94
		5403.59d	3053.74	1860.1	2349.39
Miquelon	(Local Fr)	9.9225	5.6075	3.4156	4.3141
Monaco	(French Fr)	9.9225	5.6075	3.4156	4.3141
Mongolia	(Tugrik)	74.046	41.8457	25.4891	32.1939
Montserrat	(E Carr $)	4.7601	2.69	1.6385	2.0696
Morocco	(Dirham)	14.91	8.4261	5.1325	6.4826
Mozambique	(Metical)	3124.32	1765.65	1075.5	1358.4
Namibia	(S A Rand)	4.9647	2.8057	1.709	2.1585
Nauru Is	(Australian $)	2.2505	1.2718	0.7746	0.9784
Nepal	(Nepalese Rupee)	75.1038	42.4435	25.8532	32.6538
Netherlands	(Guilder)	3.2750	1.8508	1.1273	1.4239
N'nd Antilles	(A/Guilder)	3.1558	1.7834	1.0863	1.372
New Zealand	(NZ $)	3.16025	1.7859	1.0878	1.374
Nicaragua	(Gold Cordoba)	8.815	4.9816	3.0344	3.8326
Niger Rep	(CFA Fr)	496.125	280.376	170.783	215.707
Nigeria	(Naira)	17.2774	9.764	5.9474	7.5119
Norway	(Nor. Krone)	11.3875	6.4354	3.9199	4.951
Oman	(Rial Omani)	0.6799	0.3842	0.234	0.2956

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	43.429	24.543	14.9497	18.8821
Panama	(Balboa)	1.7695	1	0.6091	0.7693
Papua New Guinea	(Kina)	1.6710	0.9443	0.5752	0.7265
Paraguay	(Guarani)	2317.22	1309.53	797.666	1007.49
Peru	(New Sol)	1.75	0.9889	0.6024	0.7608
Philippines	(Peso)	46.08	26.0412	15.8623	20.0347
Pitcairn Is	(£ Sterling)	1.00	0.5651	0.3442	0.4347
	(NZ $)	3.16025	1.7859	1.0878	1.374
Poland	(Zloty)	16468.00	9306.58	5668.85	7160
Portugal	(Escudo)	250.20	141.396	86.1273	108.783
Puerto Rico	(US $)	1.7695	1	0.6091	0.7693
Qatar	(Riyal)	6.4283	3.6328	2.2128	2.7949
Reunion Is. de la	(F/Fr)	9.9225	5.6075	3.4156	4.3141
Romania	(Leu)	103.29	58.3724	35.5559	44.9086
Rwanda	(Fr)	213.75	120.797	73.58	92.9347
St Christopher	(E Carr $)	4.7601	2.69	1.6385	2.0696
St Helena	(£)	1.00	0.5651	0.3442	0.4347
St Lucia	(E Carr $)	4.7601	2.69	1.6385	2.0696
St Pierre	(French Fr)	9.9225	5.6075	3.4156	4.3141
St Vincent	(E Carr $)	4.7601	2.69	1.6385	2.0696
San Marino	(Italian Lira)	2182.25	1233.26	751.205	948.804
Sao Tome	(Dobra)	423.12	239.118	145.652	183.965
Saudi Arabia	(Riyal)	6.6225	3.7425	2.2796	2.8793
Senegal	(CFA Fr)	496.125	280.376	170.783	215.707
Seychelles	(Rupee)	9.2342	5.2185	3.1787	4.0148
Sierra Leone	(Leone)	712.00	402.374	245.095	309.565
Singapore	($)	2.9690	1.6778	1.022	1.2908
Solomon Is	($)	4.8760	2.7555	1.6784	2.12
Somali Rep	(Shilling)	4619.06	2610.38	1590.04	2008.29
South Africa	(Rand)	4.9647c	2.8057	1.709	2.1585
		5.4170g	3.0613	1.8647	2.3552
Spain	(Peseta)	182.80	103.306	62.9259	79.4782
Spanish Ports in N Africa	(Sp Peseta)	182.80	103.306	62.9259	79.4782
Sri Lanka	(Rupee)	74.67	42.1983	25.7039	32.4652
Sudan Rep	(£)	26.445	14.9448	9.1032	11.4978
Surinam	(Guilder)	3.1470	1.7784	1.0833	1.3682
Swaziland	(Lilangeni)	4.9647	2.8057	1.709	2.1585
Sweden	(Krona)	10.6025	5.9918	3.6497	4.6097
Switzerland	(Fr)	2.5650	1.4495	0.8829	1.1152
Syria	(£)	37.023	20.9228	12.7445	16.0969
Taiwan	($)	46.05	26.0243	15.8519	20.0217
Tanzania	(Shilling)	403.73	228.16	138.978	175.535
Thailand	(Baht)	45.00	25.4309	15.4905	19.5652
Togo Rep	(CFA Fr)	496.125	280.376	170.783	215.707
Tonga Is	(Pa Anga)	2.2505	1.2718	0.7746	0.9784
Trinidad/Tobago	($)	7.4927	4.2343	2.5792	3.2576
Tunisia	(Dinar)	1.6538	0.9346	0.5692	0.719
Turkey	(Lira)	8721.62	4928.86	3002.28	3792.01
Turks & Caicos	(US $)	1.7695	1	0.6091	0.7693
Tuvalu	(Australian $)	2.2505	1.2718	0.7746	0.9784
Uganda	(New Shilling)	1616.53	913.552	556.465	702.839
U A E	(Dirham)	6.4856	3.6652	2.2325	2.8198
United Kingdom	(£)	1.00	0.5651	0.3442	0.4347
United States	(US $)	1.7695	1	0.6091	0.7693
Uruguay	(Peso)	4117.90	2327.15	1417.52	1790.39
USSR	(Rouble)	1.01936	0.576	0.3508	0.4431
		3.0579c	1.7281	1.0526	1.3295
Vanuatu	(Vatu)	193.00	109.07	66.4371	83.913
Vatican	(Lira)	2182.25	1233.26	751.205	948.804
Venezuela	(Bolivar)	96.9961	54.8155	33.3893	42.1722
Vietnam	(Dong)	20803.40	11756.7	7161.24	9044.96
Virgin Is-British	(US $)	1.7695	1	0.6091	0.7693
Virgin Is-US	(US $)	1.7695	1	0.6091	0.7693
Western Samoa	(Tala)	4.1936	2.3699	1.4435	1.8233
Yemen (Rep of)	(Rial)	21.3323	12.0558	7.3433	9.2749
Yemen (Rep of)	(Dinar)	0.8127	0.4592	0.2797	0.3533
Yugoslavia	(Dinar)	37.7615	21.3402	12.9987	16.418
Zaire Rep	(Zaire)	54423.00	30756.1	18734.3	23662.2
Zambia	(Kwacha)	138.2192	78.112	47.5797	60.0953
Zimbabwe	($)	8.7357	4.9368	3.0071	3.7981

Special Drawing Rights November 8, 1991 United Kingdom £0.781221 United States $1.37573 Germany D Mark 2.27037 Japan Yen179.189
European Currency Unit Rates November 11, 1991 United Kingdom £0.704100 United States $1.241122 Germany D Mark 2.04499 Japan Yen161.631

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; † Guinea Bissau: Peso devalued Oct. 1991. (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;
Some data supplied by Bank of America, Economics Department, London Trading Centre: Enquiries: 071 634 4360/5.
Monday, November 11, 1991.

INTERNATIONAL CAPITAL MARKETS

German prices ease after recent buoyant rally

By Richard Waters

GOVERNMENT bond markets generally marked time or drifted lower yesterday as investors in several countries waited to take their lead from official data which are due later in the week.

GOVERNMENT BONDS

With the US market closed yesterday, investors will be looking particularly to US inflation figures tomorrow to set a direction for longer-dated Treasury bonds.

■ AFTER the past week's strong rally in German government bonds, prices eased slightly during the day while investors waited for an official announcement on withholding tax changes.

Several factors were behind the fall:

● An announcement that the recent DM10bn issue of bunds will be raised by DM4bn, prompting concern about possible over-supply;

● Profit-taking in the wake of the 12 basis point rally in the past week;

● A warning about inflation from one Bundesbank member, which reminded the market that interest rates could rise before the end of the year.

The bund futures contract opened at 86.18, down slightly from Friday's close, and rose to 86.36 before falling to a low of 85.97.

It closed back up at 86.10.

■ IN Japan, the government bond market headed marginally higher as investors awaited the return tomorrow of the Bank of Japan governor, Mr Yasushi Mieno, from a meeting of the Bank for International Settlements.

The market is looking for him to bring a long-awaited discount rate cut of 0.5 per cent, which has already been heavily discounted.

In thin trading yesterday in Tokyo, the benchmark No 129 moved in a narrow range, firming from 5.905 per cent to 5.89 per cent at one stage, before weakening slightly to 5.895 per cent.

■ MARKET expectations of a cut this week in UK base rates, aroused at the end of last week, appeared to fade somewhat yesterday, raising questions about the direction for shorter-dated gilts.

Traders and analysts said that a series of statistics due out this week would set a clearer direction.

Today sees the publication of producer prices, with manufacturing output tomorrow earnings figures on Thursday and retail prices on Friday.

The market is looking for further evidence of falling inflation and for a rise in industrial production to give some indication of whether an upturn is near.

The 11¾ per cent gilt due 2003/07 rebounded after Friday, falling from its opening of 114$\frac{3}{16}$ to close at 113¾.

ISDA draws up draft swaps statute

By Tracy Corrigan

IN an effort to persuade government entities of the need to clarify their legal position with regard to swap transactions, the International Swap Dealers' Association (ISDA) has drawn up a model statute authorising sovereign, state and local government entities to enter swap transactions.

"We expect this document to be a useful contribution to the effort to obtain clear statutory authority for swaps by these types of counterparties, where it is needed", said Mr Mark Brickell, ISDA's chairman and a vice-president of Morgan Guaranty.

Earlier this year, the House of Lords ruled that UK local councils involved in swap market transactions during the 1980s had acted *ultra vires* and that the swaps were therefore invalid.

Consequently, banks were left facing losses of more than £500m.

As a result, ISDA, the trade body of the $3,000bn swaps market, has been lobbying governments to clarify the legal position of swaps in their jurisdiction so that banks will not face legal uncertainty when entering swap agreements with government bodies.

ISDA's move is unlikely to have any impact on the situation in the UK, where any softening in the government's position on swaps is hard to contemplate in the wake of the local authorities swaps debacle.

However, a number of US states, including Arkansas, California, Florida, Massachusetts, Michigan and Ohio, have statutes specifying that government entities can manage their risk through swap transactions, and more states are expected to bring in enabling legislation.

The draft statute gives clear authority for government entities to engage in swaps and related transactions in order to mitigate inherent risk.

Although it is drafted in terms of US law, it is designed to allow modifications depending on the jurisdiction in question and covers exposures which range from debt to purchasing programmes for fuel supplies.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	113.1528	-0.894	9.90	9.84	10.06
BELGIUM		9.000	05/01	99.6000	-	9.02	9.11	9.07
CANADA *		9.750	12/01	100.1500	-	8.46	8.58	8.91
DENMARK		9.000	11/00	100.9250	-0.050	8.85	8.94	8.93
FRANCE	BTAN	8.500	11/96	98.4594	-0.052	8.89	8.96	8.94
	OAT	8.500	01/01	104.4200	-0.050	8.77	8.80	8.78
GERMANY		8.25	09/01	99.9300	-0.190	8.26	8.38	8.13
ITALY		12.000	06/01	97.2300	-0.170	12.50	12.42	12.43
JAPAN	No 119	4.800	06/99	92.6153	-	6.23	6.21	6.29
	No 129	6.400	03/00	102.8276	+0.026	5.90	5.87	5.97
NETHERLANDS		8.500	03/01	98.4900	-0.050	8.73	8.80	8.69
SPAIN		11.900	07/96	100.8000	-	11.61	11.63	11.61
UK GILTS		10.000	11/96	101-13	-02/32	9.64	9.79	9.75
		10.000	02/01	102-03	-02/32	9.65	9.78	9.73
		9.000	10/08	95-29	-06/32	9.49	9.57	9.49
US TREASURY *		7.875	08/01	100-20	+00/32	7.41	7.50	7.47
		8.125	08/21	101-18	+00/32	7.87	7.97	7.89

London closing, *New York morning session. Yields: Local market standard
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 11

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103¼	103¾		6.22
ALBERTA PROVINCE 9 3/8 95	600	107⅞	108⅛		7.03
AUSTRIA 8 1/2 00	400	103⅞	104⅛	+⅛	7.85
BANK OF TOKYO 8 3/8 96	100	103	103⅜	+⅛	7.53
BELGIUM 9 5/8 98	250	109⅝	110⅛	+⅛	7.69
BFCE 7 3/4 97	150	101⅞	102⅛	+⅛	7.30
BNP 8 5/8 94	300	104⅞	105⅜		6.59
BP CAPITAL 9 5/8 93	150	103⅞	104⅜	+⅛	6.09
CANADA 9 96	1000	107⅝	107⅞		6.87
CARCO 9 1/4 96	650	103⅝	104⅛		8.41
CCCE 9 1/4 95	300	107¼	107⅝		6.71
COUNCIL EUROPE 8 96	100	102⅞	103⅛		7.25
CREDIT FONCIER 9 1/2 99	300	109⅝	110⅛	+⅛	7.69
DENMARK 8 1/4 94	150	104⅛	104½		6.55
DENMARK 9 1/4 95	1571	107¼	107⅝		6.74
ECSC 8 1/4 96	193	104⅝	105⅛	+⅛	7.10
EEC 7 1/4 93	250	101⅛	101⅜		6.09
EIB 7 3/4 96	250	102⅞	103⅛	+⅛	7.02
EIB 9 1/4 97	1000	108⅝	109		7.42
ELEC DE FRANCE 9 98	200	107	107½	+⅛	7.56
EURO CRED CARD TST 9 94	325	105	105½		7.04
EUROFIMA 9 1/4 96	100	106⅞	107⅜		7.32
EXPORT DEV CORP 9 1/2 98	150	109⅜	109⅞	+⅛	7.64
FINLAND 7 7/8 97	200	101⅞	102⅜	+⅛	7.42
FINNISH EXPORT 9 3/8 95	200	107⅞	108⅛		7.06
FORD MOTOR CREDIT 9 1/2 93	300	104	104⅛		7.23
GEN ELEC CAPITAL 9 3/8 96	300	107¼	107⅝		7.46
GMAC 9 1/8 96	200	104⅜	105		7.87
HALIFAX 9 1/2 93	200	104⅝	105⅛		6.35
IBM WORLD TRADE 7 5/8 93	150	102⅛	102⅜	+⅛	6.47
IND BK JAPAN FIN 7 7/8 97	200	101	101½	+⅛	7.63
INTER AMER DEV 7 5/8 96	200	102	102½	+⅛	7.11
ITALY 8 1/2 94	1500	105⅛	105⅜	+⅛	6.40
JAPAN DEV BK 8 94	150	103⅝	104	+⅛	6.37
KANSAI ELEC PWR 10 96	350	109½	109⅞	+⅛	7.36
LTCB 8 5/8 93	150	102⅞	103⅛		6.36
NEW ZEALAND 8 93	100	102½	103⅛		6.27
NIPPON CRED BK 9 3/4 93	150	105⅛	105⅞	+⅛	6.66
NIPPON TEL & TEL 9 3/8 95	200	107	107½	+⅛	6.91
NORDIC INV BANK 9 93	200	104⅛	104⅜		6.08
ONTARIO HYDRO 11 5/8 94	200	110⅛	110⅜		6.59
OSTER KONTROLLBANK 8 1/8 93	200	102⅞	103⅛		5.91
PETRO-CANADA 7 1/4 96	200	100⅛	100⅞		7.17
QUEBEC HYDRO 9 3/4 98	150	108⅞	109⅛	+⅛	8.01
QUEBEC PROV 9 98	200	104⅞	105⅜	+⅛	7.98
SAINSBURY 9 1/8 96	150	106⅛	106⅞		7.57
SAS 10 99	200	105½	106⅛	+⅛	8.92
SBAB 9 1/2 95	500	107⅞	108⅛		6.98
STATE BK STH AUST 9 1/4 93	100	103⅞	104⅛	+⅛	6.10
SUMITOMO BK CAP MKT 9 3/8 93	150	105	105⅜	+⅛	6.66
SWEDEN 8 1/8 94	150	103⅞	104½	+⅛	6.52
SWEDISH EXPORT 9 5/8 93	100	104⅜	104⅞		5.96
TOKYO METROPOLIS 8 1/4 96	200	104⅛	104⅝	+⅛	7.23
WORLD BANK 8 3/8 99	1500	104⅛	105	+⅛	7.71
WORLD BANK 8 3/4 97	1500	107½	107⅞	+⅛	7.15
XEROX CORPN 8 3/8 96	100	101⅞	102⅛	+⅛	7.95

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAPROVEN 11 1/8 95	200	101¼	102		10.54
BULGARIAN TRADE BK 8 1/2 96	200	83⅞	84⅛		13.35
DEUTSCHE FINANCE 7 1/2 95	1000	97⅜	97⅝		8.36
EIB 5 3/4 98	400	87⅛	87⅜		8.37
EIB 6 7/8 95	300	96	96		8.08
EUROFIMA 6 1/4 98	400	89⅛	89⅜		8.40
FERRO DEL STAT 5 3/8 93	500	96⅛	96⅜		8.71
FIRST INTERSTATE 5 3/4 96	100	84⅛	84⅝	+⅛	10.12
IND BK JAPAN FIN 5 5/8 96	200	88⅛	88⅜		8.96
IND DEV BK INDIA 6 3/8 94	200	90	90	+⅛	10.28
LUFTHANSA INT FIN 5 7/8 98	500	86⅛	86⅜		8.63
NACIONAL FINANCIERA 11 95	150	101	101½		10.61
NAT BK HUNGARY 8 96	200	90⅛	91	-½	10.47
QUEBEC HYDRO 6 3/4 99	300	89⅝	89⅞		8.70
SWEDEN 6 1/8 98	300	89⅛	89⅜	+⅛	8.39
VENEZUELA 8 1/4 93	100	96⅛	96½		10.41
WORLD BANK 0 15	2000	17⅜	17⅝		7.40
WORLD BANK 5 3/4 96	300	91⅛	91⅜	+⅛	8.25
WORLD BANK 7 1/8 95	500	97½	97⅞		8.03

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	86½	87½		7.34
AUSTRIA 4 5/8 98	100	87	87½	+½	7.28
CHUBU ELEC POWER 6 3/4 01	300	98½	99½	+½	6.96
COUNCIL EUROPE 4 3/4 98	250	87½	88	+½	7.30
EEC 5 1/2 00	100	89⅛	89⅞	+⅛	7.15
EIB 6 1/2 98	600	98	98½	+⅛	6.87
ELEC DE FRANCE 7 1/4 06	100	100	101	-½	7.25
FINLAND 5 3/8 95	150	94	94½	+½	7.16
GENERAL MOTORS 7 1/2 95	100	100	100½	-½	7.48
JAPAN DEV BK 5 1/2 94	100	95½	96	+⅛	7.74
KOBE 6 3/8 01	240	94½	95½	+⅛	7.17
NEW ZEALAND 4 7/8 99	200	85	85⅝		7.64
QUEBEC HYDRO 5 08	100	74½	75½	+½	7.81
WORLD BANK 5 03	150	82½	83	+½	7.26
WORLD BANK 7 01	600	101	101⅛	+⅛	6.84

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	97⅞	98⅛		5.80
CREDIT FONCIER 5 1/4 94	20000	97⅞	98⅛		6.01
DENMARK 7 95	40000	103⅛	103½		5.85
EIB 4 5/8 94	40000	97½	97⅞		5.72
FINLAND 6 3/4 96	30000	102½	102⅞		6.07
GENERAL ELECTRIC 5 3/4 93	35000	99⅛	99⅜		6.30
INTER AMER DEV 7 1/4 00	30000	108⅞	109		5.92
KANSAI ELEC PWR 4 5/8 94	60000	96⅛	97		6.07
NIPPON TEL & TEL 5 7/8 96	50000	99⅛	100⅛		5.93
NORWAY 5 1/8 95	50000	97⅞	98⅛		5.82
SNCF 6 3/4 00	30000	105⅛	105⅜	-⅛	5.92
SWEDEN 5 5/8 95	20000	98⅞	99⅛		5.95
WORLD BANK 6 3/4 00	50000	105⅞	105⅞		5.97

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.63
KREDIETCORP 7 93 LFr	1000	95⅛	96⅛		9.81
WORLD BANK 8 96 LFr	1000	96⅛	97⅛		8.96
BCE INC 9 5/8 93 C$	300	101⅞	102⅛	-⅛	8.24
BELL CANADA 10 5/8 99 C$	150	106⅝	107⅛		9.34
BRITISH COLUMBIA 9 1/4 93 C$	150	101⅞	102	-⅛	8.04
EIB 10 1/8 98 C$	130	104⅝	105⅛	-⅛	9.28
ELEC DE FRANCE 9 3/4 99 C$	275	104	104½	-⅛	9.01
FORD CREDIT CANADA 10 94 C$	100	103⅛	103⅝		9.59
GENERAL ELECT CAP 10 1/4 93 C$	175	103⅛	103⅝	-⅛	8.15
ONTARIO HYDRO 10 7/8 99 C$	500	108	108⅝	-⅛	9.32
OSTER KONTROLLBANK 10 1/4 99 C$	150	106⅛	106⅝		9.37
QUEBEC PROV 10 1/2 98 C$	200	106⅛	106⅝	-⅛	9.32
ROYAL TRUSTCO 10 1/4 93 C$	100	101⅛	101⅞	-⅛	9.17
SWEDEN 9 3/4 93 C$	250	102⅛	102⅜		8.62
BELGIUM 9 1/8 96 Ecu	1250	100⅛	100⅝		9.03
CNT 7 3/8 93 Ecu	250	96⅛	96⅝	+⅛	10.0[illegible]
CREDIT LYONNAIS 9 96 Ecu	125	98⅛	99		9.50
DENMARK 7 5/8 96 Ecu	250	92⅞	93⅜	+⅛	9.79
EEC 7 5/8 94 Ecu	200	96⅛	96⅞		9.42
EIB 10 97 Ecu	1125	104⅛	104⅝		8.97
ITALY 10 3/4 00 Ecu	1000	109⅛	109⅝		9.03
UNITED KINGDOM 9 1/8 01 Ecu	2750	101⅞	102	+⅛	8.81
BP AMERICA 12 1/4 96 A$	100	107⅛	107⅝	-⅛	10.06
COMM BK AUSTRALIA 13 3/4 99 A$	100	117	117⅝	-⅛	10.46
COUNCIL EUROPE 13 93 A$	50	103⅛	104⅛	+⅛	9.70
EKSPORTFINANS 12 3/8 95 A$	75	108⅛	109⅛	+⅛	9.33
FORD CRED AUST 13 93 A$	50	103	103⅛	-⅛	10.35
MCDONALDS CANADA 15 95 A$	100	114⅛	115⅛	-⅛	9.95
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅞	110⅛	-⅛	9.82
STATE BK NSW 14 1/4 99 A$	100	117⅛	117⅝	-⅛	10.84
VOLKSWAGEN INTL 15 94 A$	100	110⅛	111⅛	-⅛	9.76
ABBEY NATL TREAS 13 3/8 95 £	100	107⅛	108		10.51
BARCLAYS JERSEY 9 1/2 93 £	250	99	99⅜		10.21
BRITISH GAS 12 3/4 95 £	300	106⅛	107		10.21
DEUTSCHE BK FIN 11 94 £	225	101⅞	102		10.09
EIB 10 97 £	536.5	100	100⅛	+⅛	9.98
FORD CREDIT FUNDING 9 5/8 93 £	50	98	98⅛	+⅛	11.12
INTER AMER DEV 11 3/8 95 £	75	103⅛	104⅛		10.02
ITALY 10 1/2 14 £	400	99⅛	99⅝	-⅛	10.59
LAND SECS 9 1/2 07 £	200	85⅞	86⅛	-⅛	11.47
LEEDS PERMANENT 9 1/4 93 £	50	98⅛	98⅝		10.54
NORWAY 10 1/2 94 £	200	100⅞	101⅛		10.00
ROLLS-ROYCE 9 5/8 93 £	150	98⅛	98⅝		10.86
SAINSBURY 10 7/8 93 £	100	100⅛	100⅝		10.54
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅛	106⅝		10.77
WORLD BANK 11 1/4 95 £	100	103⅛	103⅝	+⅛	9.97
ABBEY NATIONAL 0 96 NZ$	100	63⅛	64⅛		9.72
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	106⅛	107⅛	-⅛	9.27
AIDC 7 7/8 93 FFr	600	97⅛	97⅝		9.36
CEPME 10 95 FFr	2000	102⅛	102⅝		9.13
EURATOM 7 5/8 98 FFr	500	93⅛	94	+⅛	9.05

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.52	99.61	12.6625
BANCO ROMA 0.03 01	200	91.55	92.61	6.4675
BANCO SANTO SPIRITO 93	200	99.56	99.68	5.6250
BELGIUM 1/16 97 DM	500	99.96	100.08	9.5000
BFCE -0.02 96	350	99.99	100.09	6.1050
BNP 05	300	96.25	96.55	5.5625
BRITANNIA 1/10 96 £	150	99.11	99.30	10.6625
CCCE 06 ECU	200	99.94	100.04	9.7500
CITIZENS FED 0.15 96	100	99.42	99.98	5.9625
COMMERZBK O/S FIN 93	200	100.03	100.13	5.8750
CREDIT FONCIER -1/16 98	200	99.88	99.98	5.3438
DENMARK -1/8 96	1000	99.82	99.92	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.04	9.5156
ELEC DE FRANCE 1/8 99	400	100.56	100.92	6.0625
FERRO DEL STAT 94	200	100.79	101.03	5.9375
HALIFAX 1/10 94 £	400	99.94	100.04	11.1000
IRELAND 98	300	99.50	99.60	6.4400
ITALY 00	500	100.56	100.86	6.3750
MITSUI FIN ASIA 1/8 96	100	99.54	99.64	5.9375
MORGAN (JP) 1/4 97	250	99.60	99.75	6.0000
NAT WEST FIN 3/16 05	400	91.75	92.55	5.5000
NEW ZEALAND 93	500	99.99	100.09	5.7500
RENFE 98	500	99.90	100.00	6.0125
SOCIETE GENERALE 96	300	99.46	99.56	5.6250
STATE BK VICTORIA 0.05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	99.88	99.99	5.2500

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	125⅝	127⅛	
CHUBB CAPITAL 6 98	250	86	185⅛	186⅛	+27.92
DAI-ICHI KANGYO 3 7/8 04	300	3251.8	100	101	+11.62
EASTMAN KODAK 6 3/8 01	300	50.67	99⅝	100⅛	+11.41
GOLD KALGOORLIE 7 1/2 00	65	1.0554	77	78	+54.61
HANSON 9 1/2 06 £	500	2.5875	98⅛	99⅛	+22.67
HAWLEY 6 02 PREF	400	19.1	83⅛	85⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	115⅛	116⅛	
LAND SECS 6 3/4 02 £	84	6.72	85	86	+12.22
LASMO 7 3/4 05 £	90	5.64	79	80⅛	+43.27
MITSUI BANK 2 5/8 03	200	2337⅛	98	99⅛	+13.19
MOUNT ISA FIN 6 1/2 97	100	2.283	90⅛	91⅛	+17.54
OGDEN 6 02	85	39.077	75	76	+52.25
SMITH & NEPHEW 4 02 £	90	1.775	118	119	+95.72
SUMITOMO BANK 3 1/8 04	300	3606.9	78⅛	79⅛	+11.98
TEXAS INSTRUMENTS 2 3/4 02	300	82⅛	87	87⅞	
THORN EMI 5 3/4 04 £	100	7.45	118⅛	120	+7.74

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

International bank lending shows first fall

By Simon London

LENDING by the international banking system declined by $5bn in the second quarter of this year, the first net fall in lending since records were first kept in the mid 1970s.

When lending between financial institutions is included, banking assets fell by a record $164bn during the three months to the end of June, according to the Bank of International Settlements, the Basle-based clearing house owned by the central banks of the largest industrial economies.

This is also the first time total international banking aggregates have fallen over two consecutive periods, following a $54bn decline in the first quarter.

The largest area of decline in both quarters was lending by Japanese banks.

However, the slow-down in lending spread to all financial centres during the spring and this was reflected in the overall decline in the amount of credit intermediated by the banking system.

While there have been widespread fears of a "credit crunch" facing companies, lending between banks has shown the biggest absolute decline. International interbank lending fell by $125.7bn during the second quarter, following an $86.7bn fall during the first three months of the year.

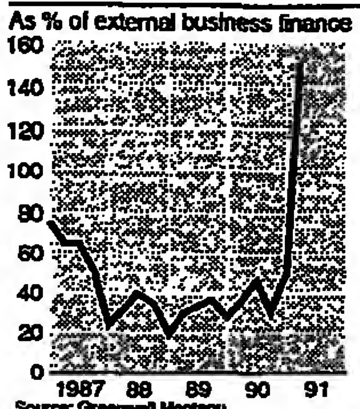
The BIS commented that there has been "a basic change in strategy away from balance-sheet growth towards asset quality".

The change has been prompted by the introduction of the Basle guidelines on international bank capital adequacy which have forced banks to focus on return on assets, rather than absolute balance sheet size.

While the banking sector has been in depression, borrowing from the securities market has flourished. The BIS noted strong new issue activity in the international bond market and a sharp rise in the number of new medium-term note programmes announced.

Capital issues

As % of external business finance



Source: Greenwell Montagu

Taken together, the two trends suggest that borrowers are turning away from banks to finance commercial activity. This is certainly true of the UK, where debt and equity issues have grown sharply as a proportion of total business finance since early last year.

However, UK economists note that demand for finance by businesses remains depressed, a pattern repeated in most industrial economies. UK companies raised just £4.9bn from all banking and capital markets sources during the second quarter, down from a peak of £18.4bn in the third quarter of 1989.

HK to launch bond programme

HONG Kong will next week launch its first government bond programme since the mid 1980s when HK$500m (US$64.9m) of two-year bonds will go on offer, writes Angus Foster.

The programme is designed to stimulate the colony's capital markets, which have always been overshadowed by equity trading.

The government enjoys a budget surplus and proceeds from the issue will be used to finance capital expenditure.

The first tranche will be offered on Monday and will carry interest at the rate of 6.25 per cent, payable half-yearly.

Two foreign brokers see profits soar in Japan

By Emiko Terazono in Tokyo

TWO leading foreign broking houses yesterday reported pre-tax profits for the six months to end-September, 1991, higher than achieved by most Japanese securities groups for the period.

The Tokyo operations of Salomon Brothers and Morgan Stanley reported pre-tax profits of Y16.1bn ($123.5m) and Y13bn respectively. Nomura Securities made Y39.8bn and Daiwa Securities reported Y20.6bn. Nikko came in fifth, with pre-tax profits of Y12bn.

Foreign brokers were helped by the flood of buying by foreign institutions during the first half and profits from derivatives trading, such as futures and options.

Salomon said operating income soared 74 per cent to Y51.4bn as profits on trading rose by 10 times and interest income rose 43 per cent.

Strength in arbitrage trading also helped Credit Lyonnais Securities and SBCI Securities return to the black. Credit Lyonnais, which is the most recent foreign entrant on the Tokyo Stock Exchange, posted pre-tax profits of Y1.5bn thanks to active derivative trading and strong results in its quantitative business.

Profits from arbitrage trading supported earnings at foreign brokerages, as foreign houses, with their expertise in derivative trading, have been seen as leaders in arbitrage activity.

"The role of derivative trading has been large at most profitable brokers," said a branch manager of a British house.

Japanese brokerages have been severely checked by the revelations of stock scandals and 37 out of 47 reported pre-tax losses for the interim period.

Foreign houses, on the other hand, saw active investment by foreign institutional investors, supporting commission fees. For the first six months of the fiscal period, foreigners were net buyers of securities worth Y2,400bn on the Tokyo, Osaka, and Nagoya stock markets.

Ljubljana stock market shrugs off conflict

Jacqueline Moore on business as usual at one of Yugoslavia's three exchanges

Yugoslavia has been more associated with tanks and fighting than capital markets in recent months. Even the more peaceful republics, such as Slovenia, have been at severe political risk in the eyes of foreign investors.

However, the conflict between Serbia and Croatia has not kept Slovenians away from their stock exchange in Ljubljana, the capital. Institutional and individual investors have pushed turnover to about DM1m ($625,000) a day from DM200,000 at the same time last year, said Mr Drasko Veselinovic, chief executive officer of the exchange, who was in London last week.

Mr Veselinovic, who is also professor of international finance at Ljubljana's university and a member of parliament, believes the market will ride out the current troubles. Even during the fighting which erupted in Slovenia in June, when the republic declared its independence from Yugoslavia, the market continued to operate in heavy trading.

"We wanted to close because of the aircraft overhead and the blocked streets, but the finance minister said 'no, continue normal operations', so we did," said Mr Veselinovic. He stressed the federal army has now withdrawn from the republic and peace has returned.

However, he conceded the conflict is keeping interest low among foreign investors. He also accepts the market is very small: there are only about 20 securities on the exchange, mostly bonds. There are only three stocks listed: Grad, a consultancy; Ilirija Banka, a Croatian bank; and Mladinska Knjiga, a publishing company.

This number is set to swell, however, once privatisation gets under way, according to Mr Veselinovic. The privatisation law has not yet been passed – Slovenia's nine political parties are currently arguing over it – but he believes about 30 per cent of the 1,600 companies earmarked for privatisation could receive public flotations in the next two years or so.

The stock exchange was re-established on December 26, 1989. It took another three months for the market to become operational.

There are also stock markets in Belgrade in Serbia and Zagreb in Croatia, but neither is active. Mr Veselinovic believes Yugoslavia has several advantages over other eastern European markets, because it was never part of the eastern bloc and has had a more open economy for longer. Ljubljana has even done some consultancy work for the stock market steering committee of Bratislava, Czechoslovakia.

"We have all the advantages, such as knowledge and experience, over other east European countries, although we do have a current political disadvantage," he said. "I wouldn't put us in the same basket."

Mr Veselinovic compares the Ljubljana market directly with western European emerging markets such as Lisbon and Istanbul. He believes Turkey's stock market grew sharply after a wave of privatisations such as those planned by Slovenia, while Lisbon benefited from its application for European Community membership in 1986. The Ljubljana exchange plans to operate according to EC standards.

Exchange officials, however, have a hard task to promote Ljubljana to foreigners at the current time.

Finnish issue raises Y50bn

By Simon London

FINLAND yesterday maintained the pace of new issue activity in the yen sector of the international bond market, raising Y50bn, 10-year funding in a deal lead-managed by Daiwa Europe.

The deal follows Y170bn straight bonds launched last week, including a Y50bn seven-year deal by Belgium. Like the Belgium deal, demand for the Finland paper was dominated by European institutional investors, many in the UK.

INTERNATIONAL BONDS

However, with the Euromarket in a generally lacklustre mood and with the US and some European markets closed, some participants reported slow sales. From a fixed re-offer price of 99.83, the 6 per cent bonds traded down to 99.75 as the lead manager bought back some unplaced paper. However, by the close of trading the bonds were firmly bid at the fixed re-offer price.

Syndicate managers are anticipating further substantial Euro-yen issues before the year end, with borrowers taking advantage of attractive currency and interest rates swaps opportunities. The proceeds of yesterday's issue were swapped into floating-rate D-Marks.

The Eurodollar sector could also see new issue activity. Borrowers including Norway and KFW, the German state-backed financial institution, were yesterday looking at borrowing opportunities, syndicate officials said.

Eléctricité de France, which received a triple-A credit rating last week, is also expected to borrow.

There are a number of higher-yielding borrowers eyeing the market. Argentina is expected to come with a two-year Eurodollar deal, lead managed by Credit Suisse First Boston. Venezuela and Petroleus Venezuela are also hoping to launch new issues, in D-Marks and dollars respectively. Looking further ahead, Apasco, the Mexican cement company, is preparing the ground for a $100m five-year bond issue which will be lead managed by Swiss Bank Corporation.

● IBCA, the London-based credit rating agency, has upgraded the long-term rating of Crédit Commercial de France by one notch from A+ to AA-.

● Standard & Poor's has placed the credit ratings of General Motors on review for possible downgrade following heavy losses this year. The company was downgraded to single-A in February.

● The Philadelphia Stock Exchange has received approval from the Securities and Exchange Commission (SEC) to start trading its D-Mark/yen cross rate currency options on November 22. It said that the SEC also approved trading in sterling/D-Mark and sterling/yen options.

It did not give any date for the launch of these options.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
AUSTRALIAN DOLLARS						
Victorian Pub.Auth.Fin.(a)†	200	zero	13¼	2011	¾/½	Fay, Richwhite (UK)
D-MARKS						
Bay'ische Land'bk.Int.SA(a)†	400	8⅞	101½	1998	2¼/1½	Bayerische Land'bk.
YEN						
Republic of Finland(a)†	50bn	6	99.83	2002	0.325/0.2	Daiwa Europe

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable.

Merrill plans new unit

By Patrick Harverson in New York

MERRILL Lynch, the big Wall Street broking house, yesterday announced the formation of a subsidiary to provide interest rate and currency swaps services to customers.

The new unit, Merrill Lynch Derivative Products (MLDP), has been assigned a provisional triple-A counter-party rating by Moody's Investors Service, the US ratings agency. This top rating, which the parent group Merrill Lynch does not enjoy, means MLDP will be able to conduct business for institutions that only work with highly-rated counter-parties.

Mr Edson Mitchell, chairman of MLDP, said yesterday: "The creation of MLDP will support our leading position in the swap and debt markets business globally and permit us to expand our activities in credit-sensitive sectors of the market, where a triple-A credit rating is a transaction pre-condition."

Previously ratings-sensitive customers were served by a few top-rated international banks. MLDP, which has been capitalised at $350m, will act as a broker between the parent's double-A and triple-A rated clients and its traditional swap dealing subsidiary, Merrill Lynch Capital Services. The clients MLDP will serve are expected to include multinational companies, banks, sovereign powers and government agencies.

Capel to take up Liffe offer

By Tracy Corrigan

JAMES Capel, the UK securities firm, plans to take up 12 of the new "D" shares issued by the London International Financial Futures Exchange, which will entitle the firm to trade equity options when Liffe and the London Traded Options Market merge early next year.

Capel is the first firm to state its intention to take up shares in the offer, which closes on November 21. Liffe is offering up to 400 shares priced at £15,000 each. Each share entitles the holder to have one trader on the floor of the exchange. A minimum of 200 shares must be taken up for the merger to go ahead.

Capel, which already has 27 Liffe shares, plans to focus particularly on the FT-SE index option. "We expect equity derivatives volumes to grow considerably...and in particular we expect volumes in FT-SE futures and options to expand dramatically" after the merger, said Mr David Heron, Capel's head of derivatives.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Monday November 11 1991

FIXED INTEREST

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	26	23	33
Corporations, Dominion and Foreign Bonds	1	7	12
Industrials	273	285	926
Financial and Properties	115	97	548
Oils	17	17	56
Plantations	0	2	8
Mines	35	23	94
Others	51	51	52
Totals	518	505	1,729

LONDON RECENT ISSUES

EQUITIES

RIGHTS OFFERS

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
10p	F.P.	-	9p	8p	Bettie Mining 10pc (Net) Cv Prf 1994	9p	
100	F.P.	-	100	98½	Cambonne Inds. 10½pc Rd. Deb. 2001	98½	
100p	F.P.	-	102p	100p	Drayton Recovery Tst. Prfd. Growth £1	100¼p	
100p	F.P.	-	101p	101p	Fidelity Euro. Values Equity Ln 2001	101p	
100p	F.P.	-	112¼p	104¼p	Gartmore Scotland Zero Div Prf.	112¼p	
105	F.P.	-	105	100	Greencore 9.5% Cnv Un Ln Stk 1995	100	
34½p	F.P.	-	37p	35¼p	M & G Income Zero Div Prf. 1p	36p	
100p	F.P.	-	104p	101¼p	NatWest Bank 9pc Prf Series A	102¼p	+¼

TRADITIONAL OPTIONS

● First Dealings Nov. 4
● Last Dealings Nov. 15
● Last Declarations Feb. 6
● For settlement Feb. 17

For rate indications see end of London Share Service

Calls in Aran Energy, Automated Security, Bimec Inds., Body Shop Intl., Intercare, Lep, Proteus Intl., Stakis and Pittencrieff. Put in Maxwell Comm.

LONDON TRADED OPTIONS

November 11 Total Contracts 22,987
Calls 9,120 Puts 13,867
FT-SE Index Calls 1,431 Puts 3,465
Euro FT-SE Calls 932 Puts 92
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months.
Premiums shown are based on middle prices.

Sale to Kodak boosted profits by reducing interest by £1m

Amersham improves 17% to £8.4m

By Jane Fuller

AMERSHAM International, which makes radioactive packages for medical, industrial and research uses, increased pre-tax profit by 17 per cent, from £7.2m to £8.4m, in the six months to September 30.

The improvement came on turnover of £136.5m (£115.7m), including two acquisitions in US healthcare but excluding the clinical diagnostics business which is being sold to Eastman Kodak, of the US, for a total of about £84m.

The arrangement with Kodak – which has freed Amersham from the costly development of the Amerlite range of products – has left the UK group with a royalties stream.

Group operating profit only gained 2 per cent to £9.8m. Mr Kirk Stephenson, finance director, said that continuing businesses showed a 21 per cent advance to £7m, while last year's £3.8m from clinical reagents was replaced by £2.8m of royalties.

Cash from Kodak helped to cut interest costs by £1m to £1.4m and pre-tax profit was also topped up by a £400,000 currency gain. About 85 per cent of sales are overseas.

A lower, more normal tax rate of 35 (42) per cent contributed to a 35 per cent increase in earnings per share, which totalled 9.3p (6.9p). The interim dividend was, however, held at 3.7p to improve the cover.

The life sciences division, which sells mainly to academic institutions, is the biggest component in both turnover and profit.

Mr Bill Castell, chief executive, said that after a poor fourth quarter of last year, a growth rate of more than 10 per cent had returned.

Industrial products, involving measurement and detection, had done well in Europe. Mr Castell said this reflected a change in business culture over the past two years "away from sales and towards the discipline of profitability".

The progress in these two divisions was dented by continuing losses in healthcare.

Margins remained low in generic radiopharmaceuticals, while research and development spending had increased on branded products.

● COMMENT

Although the figures were difficult to interpret because of a lack of detail, the better-than-expected results helped push up the share price to a new high for the year of 393p. The underlying advance in operating profit was reassuring and the bringing forward to March of a £47m payment from Kodak is unmitigated good news. It will reduce gearing from about 40 per cent to less than 15 per cent. The second half again has the uphill element of plugging the gap left by clinical diagnostics. But a bigger question is whether the demand for life science products will suffer again in the fourth quarter. It remains somewhat surprising that the stock commands a premium rating of about 19 times, assuming more than £18m (£16.5m) pre-tax profit for the full year. The belief is that either the glitches will be removed from its performance or that a much bigger player will pay handsomely to acquire the technology.

Bill Castell: shift in culture towards profitability

Direct sales lift Betterware to £2.8m

By Jane Fuller

BETTERWARE CONSUMER Products continued to beat the UK recession with its door-to-door sales of household goods. Pre-tax profit rose by 65 per cent, from £1.71m to £2.81m, in the 28 weeks to September 14.

Turnover advanced by 51 per cent to £21.1m, while earnings per share benefited from a lower tax charge to grow by 76 per cent to 4.88p (2.77p).

Mr Andrew Cohen, chief executive, said turnover in the core direct sales business grew by 70 per cent. The benefits had included economies of scale in purchasing. "The malaise in the economy meant we were able to be firmer with suppliers."

It also made it easier to draw people into the doorstep selling business, which was serving 180,000 customers a week.

Mr Cohen said the number of area managers had grown from 340 at the year-end to 420. In the long-run there could be more than 1,500. "One area manager could have 300,000 people, whereas the ideal size is about 50,000. We are constantly refining the territories."

The process would be assisted by a new software system that linked the National Census, Ordnance Survey maps and postcode sectors.

Betterware recently started operating in north-east France, involving a £250,000 investment. One encouraging sign was that the average amount each customer spent was about 50 per cent higher than the typical £7 a time in the UK.

Other businesses, which include plastic injection manufacture and coffee houses, improved their contributions, but they amounted to less than 10 per cent of group profit. These "investments" were not regarded as core activities.

Interest received was £80,000 (£239,000). The amount of cash held grew from £500,000 at the year-end to £1.9m.

The interim dividend goes up 26 per cent to 0.85p (0.68p).

● COMMENT

Betterware's strong growth performance has been recognised in a trebling of the share price in the past year. In the UK, it still has the potential to reach many more households and to glean more pounds per doorstep, especially through additions to the catalogue. A capacity limitation is looming at its warehouse – about £5m will have to be spent on a much bigger centre next winter. Cash is already being accumulated for this purpose and when the market picks up for its oddball manufacturing and retail businesses, disposal proceeds could add to the pile. As the group is now focused on spreading its formula geographically, progress in France will be closely watched. The group plans to move into a new country every 18 months to two years. Full-year pre-tax profit is forecast to rise 50 per cent to £6m, giving a prospective p/e of about 21. This is high enough for profits to be taken, but the shares are probably still worth holding for growth potential.

Vodafone spends £43.6m on 30% of HK network

By Hugo Dixon

VODAFONE, the UK mobile communications group, has agreed to buy a 30 per cent stake in Pacific Link Communications, one of Hong Kong's four cellular networks, for $75m (£43.6m).

Pacific Link has more than 42,000 subscribers, with new customers being added to the network at an average rate of 1,750 per month. It reported pre-tax profits of HK$3.7m (£270,000) for the 1990 calendar year though Vodafone expects its profits to increase.

Pacific Link is now 50 per cent owned by Asia Link, a Hong Kong holding company, and 50 per cent owned by the Swedish group Kinnevik. In a complicated series of financial transactions, Vodafone's money will help buy out Kinnevik's 50 per cent stake.

Vodafone is acquiring new shares in Asia Link. Long Life, a Hong Kong company owned 80 per cent by SHK Hong Kong Industries and 20 per cent by Wardley Investments, is acquiring 10 per cent of Asia Link for $25m at the same time.

First Pacific, another Hong Kong group which previously owned 100 per cent of Asia Link, will be left with 60 per cent.

Asia Link will use the $100m from Vodafone and Long Life, together with a $80m syndicated loan facility, to acquire Kinnevik's 50 per cent stake of Pacific Link, with the balance of $30m being used to repay an existing loan. Vodafone is guaranteeing 30 per cent of the syndicated loan facility.

The deal is conditional on the approval of the Hong Kong Telecommunication Authority. Even with the prospect of Hong Kong reverting to Chinese rule in 1997, Vodafone said it thought the stake was a good investment.

Goldman sold 2m MGN shares the day after Maxwell died

By Our Staff in London and Peter Bruce in Madrid

GOLDMAN SACHS, the US investment house, yesterday said that it had sold 2m shares in Mirror Group Newspapers last Wednesday, the day after Mr Robert Maxwell died and the shares of his two quoted companies were suspended.

Goldman Sachs said the shares were not part of security for $60m of loans it has made to private Maxwell companies. The shares had been held by a Goldman company in a "proprietary position".

The sale was executed in New York in "off-exchange block trades" due to the suspension. Goldman's 9.9 per cent stake in MGN, which is security for loans, remains unchanged after the sale.

The shares of Maxwell Communication Corporation, Mr Maxwell's main quoted company, and MGN held steady yesterday.

The sale 11 days ago of MCC shares which Goldman had held as security for private loans to Mr Maxwell alarmed bankers last week – they have been trying to maintain a common front in negotiations with Mr Maxwell's debt-laden empire.

Mr Kevin Maxwell, the new chairman of MCC, yesterday continued talks with bankers who are owed a total £2.4bn by the private and public empire his father built. Mr Kevin Maxwell added banks in Switzerland to the list of UK and US institutions he has visited since taking over at MCC last Thursday.

Meanwhile the apparent mystery surrounding Mr Maxwell's death looked no closer to being solved yesterday with conflicting reports continuing to surface both in the UK and Spain.

Mr Julio Hernandez Claveri, Mr Maxwell's lawyer on the island of Tenerife, yesterday denied reports published in some sectors of the British media that he had suggested the British publisher was murdered on his boat.

"I did not say anything about this," he maintained. "Until there is a definite [autopsy] result, no one can say anything."

Mr Claveri did say, however that he would recommend to the Maxwell family that it carry out its own investigation into the death, alongside one being pursued by the authorities in the Canaries.

In London, insurers were last night still believed to be awaiting the results of a pathologist report by Dr Iain West, head of forensic medicine at Guy's Hospital in London.

After his return from Israel where he had been examining Mr Maxwell's body, Dr West said that he did not know how long it would take to complete his report.

"It all depends on the Spanish authorities and on tests I am doing . . . I have no idea when my findings will be complete," Dr West said.

In a brief statement at Westminster coroner's court yesterday, Dr West said he would be in contact with the insurance companies, but would not be commenting to anybody else at present.

Dr West will be reporting to Willis Corroon, whose subsidiary Willis Wrightson brokered the MGN personal accident insurance cover taken out on behalf of Mr Maxwell.

The policy, which has been underwritten by a number of insurers, including Lloyd's syndicates and companies, is for £20m.

If Mr Maxwell died from natural causes – a heart attack, for example – the policy does not pay out. If he died as a result of an accident, or murder, the policy is triggered.

Lasmo sales ability questioned

By Deborah Hargreaves

SOME institutional shareholders yesterday expressed concern about the ability of Lasmo, the UK oil exploration company, to sell the downstream assets of fellow oil company, Ultramar, if its £1.15bn takeover bid is successful.

The market for oil refineries does not move very quickly and the shareholders are concerned that Lasmo could become a distressed seller. Lasmo says the offer is structured financially so that it would be in no hurry to sell the refineries, but pressure could become stronger if it is forced to boost its bid – as many shareholders are expecting – by adding a cash sweetener to its all-paper terms.

Lasmo said it has had an extremely good response from its shareholders for its plans to increase share capital in order to make the one-for-one share offer. The company will seek approval at an extraordinary general meeting tomorrow.

Ultramar, which issued a circular at the weekend criticising Lasmo's performance, is due to announce results for its third quarter this week, but will probably put the announcement off until November 29 – the latest date allowed under the bid timetable.

The City was expecting Ultramar to show a loss for the first nine months of the year of around £12m, compared with a profit of £78.9m. But it could now throw in profits from the sale of land and other transactions in an attempt to embelish its performance.

Ultramar's Indonesian arm, which has already announced its third quarter results, has booked a lot of Liquid natural gas cargoes into the period which it warns will not be repeated in the final quarter.

The company said over the weekend that Lasmo's balance sheet is deteriorating rapidly with net debt increasing by five times in the first nine months of the year – a rate of increase of nearly £1m a day. Lasmo called those claims a "smokescreen" yesterday.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amersham ....int	3.7	Jan 6	3.7	-	11.8
Betterware ....int	0.85	Jan 6	0.675*	-	2.325*
Bimec Inds ....int	0.67☆†	Jan 22	0.5	-	1.5
Drayton English ....int	0.6	Dec 20	0.9	-	3.2
Merchant Retail ....int	1.1†	Mar 1	1.1	-	2.4
Shaw (Arthur) § ....int	1.3	Jan 9	1.3	-	4.1
Sidlaw ....fin	5.7	Feb 7	5	9	8
Wain Gp ....int	10	Nov 25	10	-	14.51
Wardle Storeys ....fin	12	Jan 9	11	16	15

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option.

BOARD MEETINGS

TODAY

Interims- Allied Irish Banks, Body Shop Intl., British Airways, Crean (James), Great Portland Estates, Leigh Interests, Marshalls, Meyer Intl.

FUTURE DATES

Interims-

Allen	Nov. 25
Black Arrow	Nov 21
British Inv Trust	Nov. 18
CST Emerging Asia Trust	Nov. 14
Capital Gearing Trust	Nov. 14
Castings	Nov. 28
Chloride	Nov. 21
City of London PR	Nov. 25
Creightons Naturally	Dec. 3
Govett American Endeavour	Nov. 19
Hardy Oil & Gas	Nov. 14
In Shops	Dec. 6
MacDonald Martin Dists.	Nov. 28
Mercury Asset Management	Nov. 18
Readicut Intl.	Nov. 19
Rothmans Intl.	Nov. 21
Rowlinson Secs.	Dec. 4
SKF	Aug. 7
Salvesen (Christian)	Dec. 4
Scapa	Dec. 5
Wagon Industrial	Nov. 20
Warburg (SG)	Nov. 18
Warner Howard	Nov. 13

Finals-

British Empire Secs.	Nov. 18
Clyde Blowers	Nov. 15
Dickie (James)	Nov. 14
Honeysuckle	Nov 14
SKF	Feb. 27
Shani	Nov. 20
Vaux	Dec. 10
Wellcome	Nov. 14
Westland	Dec. 5

NEWS DIGEST

Fidelity chiefs resign

FIDELITY International, the US-based fund manager, said that two senior members of its five-person European investments team had resigned "by mutual agreement".

Mr Greg Logan, director of Fidelity Investment Services and Mr Stuart Bottomley, tendered their resignations last Friday. Fidelity said their departure was not part of a reorganisation of the European investment section.

Fidelity's performance has lagged over the past two years, after the company ranked among the top performers in the late 1980s. The company said that Ms Fiona Hart, a fund manager with Morgan Grenfell, would shortly be joining the team.

Intrum Justitia raises £8.25m

Intrum Justitia, the debt collection group, has raised £8.25m in a market placing, the Netherlands-based group announced yesterday. The money is needed for European expansion.

Of the 10m new shares subject to the open offer, 4.3m shares were placed with investment clients of James Capel and Durlacher West. Applications were received for 2.2m shares, representing 38.5 per cent of the remaining 5.7m shares.

Dealings in the new shares begin on November 18.

Management buys west country brewer

Courage, the UK subsidiary of Foster's Brewing, has sold Ushers brewery at Trowbridge, Wiltshire together with 433 west country pubs, to a management team led by Mr Roger North, former managing director of Grand Metropolitan Brewing.

Under the deal, completed yesterday for an undisclosed price, Ushers will brew Manns beer brands under licence from Courage as well as its own brands.

Courage took over Ushers, the oldest brewery in Wiltshire, as part of the breweries-for-pubs swap with GrandMet earlier this year.

Sun Life links with Indian insurer

Sun Life, the life assurance company, is to form a European joint venture with the state-owned Life Insurance Corporation of India.

The Indian company will market life insurance, modelled on existing Sun Life products, to the Indian population in the UK. The products will be fully re-assured and administered by Sun Life.

Mr Peter Grant, chairman of Sun Life, said "the LIC are well placed to succeed in this market". The joint-venture will be launched in the spring of 1992.

Land sale boosts Wain to £4.37m

Enhanced by £1.1m land sale surplus, pre-tax profit of Wain Group increased from £3.55m to £4.37m in the half year ended September 30 1991.

Mr William Ainscough, chairman of this Chester-based housebuilder which was once in the Christian Salvesen group, said the main contributory factor to the group's ability to maintain operating profit was a realistic approach to the purchase of land and effective control of work in progress.

The group increased turnover and completions by 23 per cent and 29 per cent. Prices continued to be under pressure, particularly in the luxury range. A reduction in average selling price was the result of meeting the demand for first and second time purchaser homes.

Earnings per share increased from 32.73p to 41.36p and the interim dividend is maintained at 10p.

Unquoted stocks hit Drayton English Tst

Capital and revenue accounts of Drayton English and International Trust have suffered in the half year ended October 5 1991, mainly because of the holdings in UK unquoted stocks.

Compared with April 5, net asset value per share fell from 108.4p to 88.1p, of which some 75 per cent of that was attributed to those stocks.

Earnings for the half year were reduced to 0.46p (1.96p). The interim dividend is cut to 0.6p (0.9p) and the board believed a reduction in the final (2.3p last time) was inevitable, but would draw on reserves to limit the size of the cut.

A number of the unquoted stocks performed poorly as they were particularly exposed to the severity of the recession, and in the case of three, liquidators were appointed. The revenue account was also affected by this underperformance, and gross income dropped to £2.36m, against £2.93m.

Steps had been taken to reduce the potential for further disappointment. The board would be reducing exposure to lower yielding overseas equities and unquoted stocks, and increasing exposure to higher yielding UK quoted smaller companies.

Personal Assets earnings static

Personal Assets Trust increased net asset value to 67p per share at end October 1991, against 59.9p previously.

Net revenue for the six months period however, was unchanged at £117,000, after tax of £50,000 (£44,000) giving same-again earnings per share of 0.78p. An interim dividend of 0.75p (nil) has already been declared.

Total income came to £231,000 (£239,000).

Correction

Scottish Amicable

Scottish Amicable Investment Managers did not, contrary to our report of October 22, buy 5m shares in P&P just before the price halved. It actually bought 20,000 shares on October 2, taking its stake in the company to just over the 5m mark before P&P's share price fell from 101p to 50¼p. We apologise for the misunderstanding.

COMPANY NEWS IN BRIEF

CROWN COMMUNICATIONS: rights issue has been taken up by holders of 8.09m shares or 76 per cent. In addition under the recently-agreed share exchange proposals 21.9m shares will today be allotted to Toowoomba Investments, a Darling Downs subsidiary, giving it a 43 per cent holding. However Darling Downs and its subsidiaries will not be able to exercise more than 29.9 per cent of the voting rights.

JOHNSON & FIRTH Brown has bought Bradley & Foster, a subsidiary of Staveley Industries. B&F makes specialist wear-resistant castings for use in the mining, cement, shotblast, power generation and general engineering industries. The consideration is £3.22m cash.

PITTENCRIEFF has placed 863,000 new ordinary shares with institutional investors and private individuals for cash. The proceeds – about £1.3m – will be used for investment and working capital.

Wardle Storeys falls 26% to £8.2m

By Michiyo Nakamoto

THE EFFECTS of recession in the UK offset the benefits of advances in other markets at Wardle Storeys, the specialist manufacturer of plastic sheet and safety equipment, which reported a 26 per cent decline in pre-tax profits to £8.19m for the year to August 31.

The fall from profits of £11.08m previously on turnover down to £78.25m (£80.43m), was largely due to a sharp decline in the technical products division, which is about 74 per cent dependent on the UK market.

Sales of technical products, such as plastic sheets used in industry and car interior trim, declined by 10 per cent to £53.91m (£59.82m) while operating profit was down 65 per cent to £2.03m (£5.73m).

The division was most affected by the downturn in automotive sales in the UK, which were down by 24 per cent. "But it is by no means the only decline," said Mr Brian Taylor, chief executive.

Despite the decline the shares rose 6p to 344p.

Wardle has been reducing its dependence on the UK market for its technical products by expanding into Europe and the US. However, the decline in the UK during the period, more than offset a 14 per cent gain in European sales, it said.

On the positive side, the safety and survival equipment division, which has 70 per cent of sales outside the UK, increased operating profits by 54 per cent to £2.75m (£1.78m) on higher turnover of £24.34m (£20.61m).

A higher recommended final dividend of 12p (11p) raises the total to 16p (15p) on earnings down to 22.8p (29.8p).

● COMMENT

A year ago Wardle made a 53 per cent profit increase following a dismal year and proved that it was capable of responding quickly to adverse conditions. This time around, however, even Wardle's successful management strategy of keeping tight controls on cash and maintaining high margins could not offset the impact of a depressed UK economy. Operating margins fell to 4 per cent, compared with a more usual 10 per cent. A remedy for its UK dependence has been sought in overseas expansion and the group has maintained a capital expenditure aimed at increasing efficiency, but the full benefits of these moves will take some time to filter through. In the meantime, the group admits that with factory capacity down 30 per cent, it does not foresee a recovery right away. With forecast pre-tax profits of £9.5m, assuming some recovery early in the second half, the shares are on a multiple of 13.6, which is not demanding. Nevertheless, given the outlook not much more short-term support for the shares looks likely to be forthcoming unless Wardle decides to put its substantial cash pile of nearly £31m to good use by making an astute acquisition or two.

Petrocon shares jump on change in management

By Peggy Hollinger

Shares in Petrocon rose sharply yesterday from 35p to 48p as the surveyor and valve distributor announced its second change of top management in less than three years and the virtual withdrawal of its largest shareholder.

Mr Colin Robinson, who led the £115m management buy-out of Hollis Industries in 1988, has been appointed chairman and chief executive. He replaces Mr Roger Pinnington, who became chairman following a capital restructuring and £2.6m cash injection from a consortium led by Hillsdown Investment Trust in 1989. Mr John Carney has quit as chief executive.

Hillsdown, which held 20.5 per cent of Petrocon, yesterday sold 18.5 per cent of its stake and Mr Pinnington sold his 2 per cent.

Mr Robinson said he aimed to expand the group mainly in the engineering manufacture business – the making of specialist parts for particular plant or projects. Companies had been targeted for acquisition and an announcement could be expected before Christmas. He said two further purchases were planned by the end of 1992. "We aim to build a company with turnover of £100m by the end of 1992."

The new chairman said expansion would be funded through a rights issue or acquisitions for shares. The group has £3.6m cash in the bank and nil gearing. Profits for the year to December 31 1990 were 23 per cent higher at £1.6m.

UK COMPANY NEWS

Scottish Mutual meeting approves Abbey takeover

By James Buxton, Scottish Correspondent

POLICYHOLDERS in Scottish Mutual yesterday approved the £285m takeover of their medium-sized life assurance company by Abbey National by a 92 per cent majority, comfortably within the 75 per cent majority required.

But at Scottish Mutual's special general meeting in Glasgow about a dozen policyholders expressed discontent with the deal and criticised the board's handling of it.

In the poll for the takeover and demutualisation of the society 36,470 policyholders voted in favour with 3,189 voting against. Earlier, on a show of hands, the takeover was approved by 193 to 36.

The takeover, involving the largest demutualisation of a UK life assurance company, now has to be approved by the Court of Session in Edinburgh.

Abbey National is to create a new life assurance company called Abbey National Life which will offer life assurance to Abbey National's 7m customers. Scottish Mutual will remain in existence as a plc within Abbey National selling its policies through brokers.

Mr Forbes Macpherson, chairman of Scottish Mutual, told the 230 policyholders present that the society had decided to demutualise and await a takeover offer because of the effect of the 1986 Financial Services Act on companies selling their products through independent intermediaries.

It had rejected the options of closing the society to new business and seeking new channels of distribution.

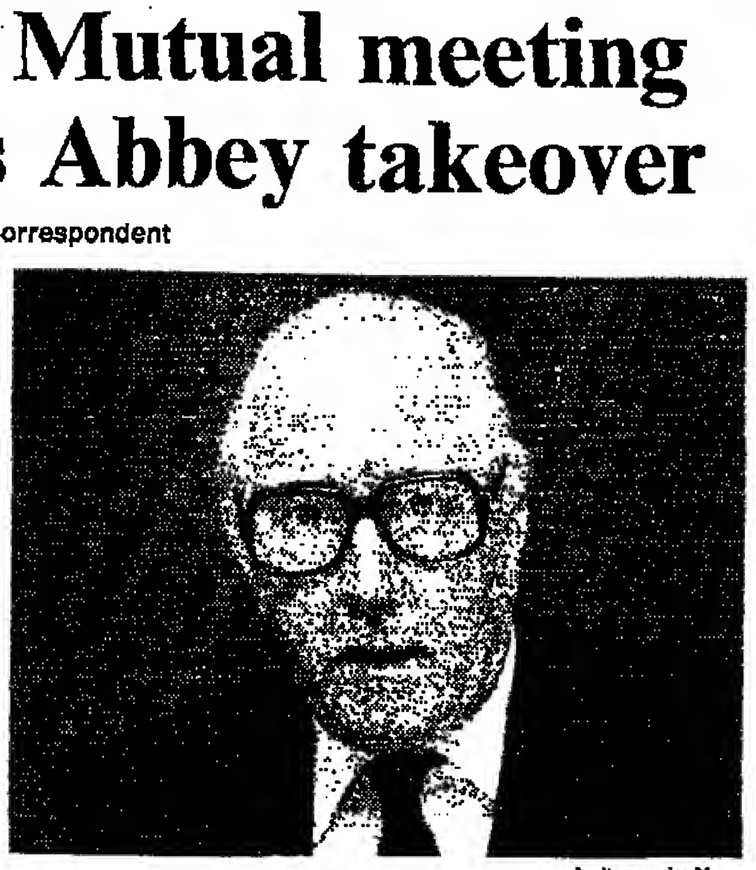
Criticism from policyholders concentrated on the fact that Scottish Mutual had not sought competing offers from other institutions, on the valuation of the society and on the terms of the deal. Mr Macpherson said that it had received no approaches from other institutions since the deal was announced in late September.

He told Mr Douglas McGhee, who has campaigned against the deal, that Scottish Mutual had not obtained outside advice on the terms of the takeover apart from that of an independent actuary. "Normal commercial advice is not appropriate to the sale of a mutual," he said.

Some 90 per cent of the estimated investment surplus of £132m which Scottish Mutual expects to earn on its existing funds will go to policyholders and 10 per cent to Abbey National shareholders, he said.

Mr John Young, former chairman of Stenhouse, a retail insurance brokerage, said he had found Scottish Mutual's offer document "one of the most difficult to understand and read I have seen in 40 years." It was "written by actuaries for actuaries."

He asked: "Why is the board doing this? Because they are considering their staff. The increasing costs Scottish Mutual faces are the costs of redundancy. Yet policyholders are being asked to fund the continuation of a company that has not met its targets." It would have been better to have closed the society to new business, he said.



Lydia van der Meer

Forbes Macpherson: no approaches from other institutions

Packaging side helps Sidlaw rise to £8.3m

By Peggy Hollinger

SIDLAW Group, the oil services, packaging and textiles combine, wrapped up the year with a 23 per cent advance in pre-tax profits, from £6.7m to £8.3m.

Mr Digby Morrow, chief executive, said the group had turned in a good performance with sales ahead 19 per cent to £84.6m for the year to September 30.

The packaging division reported the strongest rise, doubling its operating contribution to £3.4m. Venus, which makes packaging products for the food and drug industry, had improved considerably on the £300,000 reported before it was acquired in November last year, Mr Morrow said.

Sidlaw had invested between £25m and £30m in the packaging business since 1989, when it moved into the sector to try to balance the cyclical oil and textile divisions. Packaging now accounted for 35 per cent of operating profits.

Mr Morrow said the group aimed to expand the packaging business through acquisitions, although there were no particular companies targeted.

Oil services, which provided 53 per cent of operating profits, reported a 19 per cent rise to £5.06m on sales 12.5 per cent ahead at £29.3m.

The jute and pile yarn textiles division, which had suffered the "most difficult of circumstances", increased profits slightly to £1.15m (£1.02m) and margins by 29 per cent. Almost one-fifth of the division's workforce had been cut or laid off temporarily.

Mr Morrow said he felt encouraged by the opportunities in oil services and packaging. Sidlaw was moving into providing management services for the oil industry, an area which Mr Morrow said provided great potential. The first such contract with BP had been completed during the year.

Interest charges rose from £783,000 to £1.35m and debt increased to £9.6m (£5.3m), following the Venus purchase.

Earnings per share moved up to 18.1p (15.6p). The final dividend is 5.7p for a total of 9p (8p).

Copying the classic marketing headache

Richard Gourlay on the MMC's investigation of Rank Xerox

WHEN THE Monopolies and Mergers Commission last month cleared Rank Xerox of abusing a monopoly position in the £1bn photocopier market, it came as no surprise to anyone in the industry.

Cut-throat competition, few barriers to entry and a stagnating market have long been characteristics of an industry becoming saturated by suppliers. Not only was Rank Xerox's position found not to work against the public interest but the MMC also said that neither did other companies' monopolistic practices in the lucrative after-sales market.

The photocopier market has changed beyond recognition since Rank Xerox's 90 per cent market share in 1975 first caught the MMC's eye.

New suppliers, mainly Japanese, have poured into the market. More than 2,000 dealerships have sprung up, a small, but visible, minority of which have tarnished the industry's reputation with unethical sales techniques.

Undoubtedly the winners have been photocopier users – at least those who avoid unscrupulous dealers. Despite having to endure endless servicing of their notoriously unreliable devices, they have seen the price of photocopying tumble in real terms.

The loser has been Rank Xerox, whose share of a market it largely created has fallen to 31 per cent, according to the MMC, which considers anything above 25 per cent to be a monopoly position.

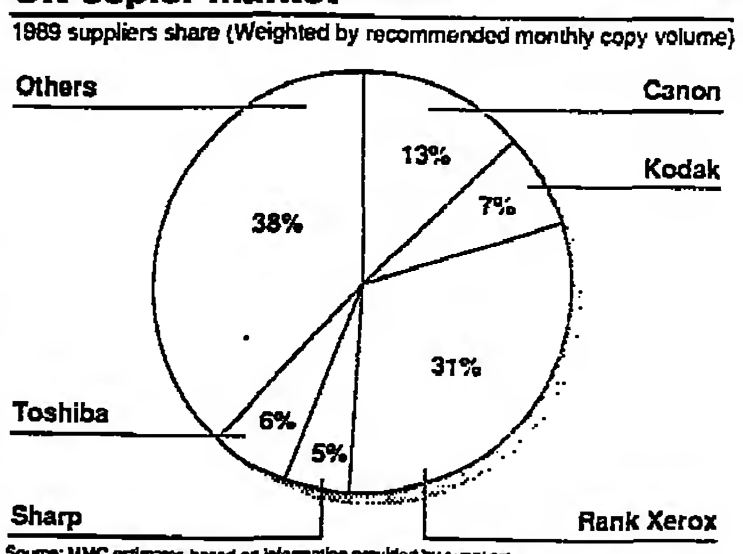
Xerox Corporation of the US developed the commercial uses of the electrostatic copying process from a 1938 invention of Mr Chester Carlson, an American patent lawyer. In 1956 it linked with the Rank Organisation, which was then producing and distributing films and in the same year the joint venture strengthened its position by buying the basic xerographic patents.

By 1975, when the MMC looked at the market, Xerox produced a third of the 30 models available and had about 90 per cent of the market. Companies were lapping up the new technology in place of old thermal copiers.

What is more, nearly all the 106,000 installed copiers had been sold or were rented, practices that the dominant Xerox favoured.

UK copier market

1989 suppliers share (Weighted by recommended monthly copy volume)



Source: MMC estimates based on information provided by suppliers

Today there are more than 717,000 copiers in the UK with all manner of complicated lease, cost-per-copy and outright sale agreements.

In 1989, the last year of the MMC study, 179,000 machines were installed but nearly two thirds of these replaced old models, according to INDAL Business Research.

There has also been a proliferation of suppliers. Twenty-two companies now offer more than 300 models, including a slate of products sold under suppliers' own "badges".

By any of the MMC's measures, industry concentration has fallen dramatically. Rank Xerox's nearest competitor, Canon, which only entered the market in 1976, has about 13 per cent and ten others control between 3 per cent and 8 per cent.

If market share is measured by sales, as opposed to the MMC's preferred measure of placements, weighted by "recommended monthly copy volume", Canon has about 24 per cent of the market, having passed Xerox in 1982.

As a sign of the market's maturity, the big companies are consolidating with smaller competitors or withdrawing altogether. Kodak took over IBM's service contracts in 1988; Gestetner bought Nashua's UK photocopying business a year later; Alcatel is understood to be pulling out of the market soon and and in September Ricoh announced it was injecting capital into Gestetner in the industry's most recent link.

In the last five years five others have also entered the market – Toshiba, Olivetti, Utax, Sanyo and Triumph Adler – so that 80 per cent of photocopiers are now imported.

As the market has matured, the best profits are no longer to be made in equipment but in after-sales, such as toner (ink), replaceable and spare parts and servicing. These accounted for half the £1bn total photocopier market in 1989, the MMC estimates.

Gestetner told the Commission that manufacturing costs and the technology had reached a plateau and that dealers were in effect selling similar products from equal cost structures.

While digital and colour copying is growing and some manufacturers are integrating copiers with computers and faxes, dealers increasingly have to compete on service quality, speed, reliability and cost.

The MMC specifically looked at this after-market between the manufacturers and dealers. They found that "complex" monopolies did exist in the practice of tying supply of toners to the supply of machines, in restrictions by some on maintenance and in some dealers' refusal to supply spare parts and manuals to independent contractors. But the existence of more than 2,000 dealers helped ensure the monopolies did not operate against the public interest, the MMC said.

With so much of photocopier profits coming from this lucrative after-market, is is unsurprising that some of the most ruthless competition is at the point of contact between dealers and customers.

What to Buy For Business, the business consumer's equivalent of the *Which?* guide, believes the Office of Fair Trading missed a crucial point by excluding dealers' practices from the MMC's terms of reference.

Most notorious are the financially ruinous copy plans or cost-per-copy contracts which amalgamate capital costs with the running and maintenance costs. Despite publicity, an alarming number of unsuspecting businesses still get tied into onerous deals, sometimes signing contracts committing them to leases way beyond the useful life of the copier.

One company, Eurocopy, received more than 400 complaints in Scotland about subsidiaries which were misleading customers into signing seven year contracts, among other things. The Office of Fair Trading is currently investigating whether to revoke Eurocopy's licenses.

Mr Brian Haymer of the Electronics, Telecommunications and Business Equipment Industries Association says the few unscrupulous dealers give all manufacturers a bad name. His association recommended to the MMC that all photocopier hire or lease contracts should have cooling off provisions similar to those in consumer credit transactions.

Even without the shoddy practices of some dealers, photocopier manufacturers face a classic marketing headache. Their customers are increasingly demanding and price sensitive and able to shift brand and dealership with relative ease. Rather than harbouring a monopoly, the market is oversupplied and shrinking at the moment because of recession.

According to Mr Jolian Baldwin, Canon UK's marketing general manager, the challenge is to turn today's higher value optional extras, such as sorters and staplers, into tomorrow's bread and butter products. It is also to increase the efficiency of machines – good news for long-suffering photocopier users.

NEWS DIGEST

Bimec Inds advances 50% to £3m

MORE THAN doubled turnover and a 50 per cent increase in pre-tax profit are reported by Bimec Industries for the half year ended September 30 1991.

Despite the economy the group continued to trade well, had a £45m order book and was poised for another year of substantial growth, said Mr Sam Smith, the chairman.

Against the current economic climate and the severe downturn in the aerospace industry following the Gulf war, the results were most encouraging, he said.

Turnover in the half year rose to £53m (£24m) while the profit reached £3m (£2m). Earnings per share were 2.8p (1.8p) and the interim dividend is 0.67p (0.5p) on the increased capital.

The group operates within three divisions: water and waste treatment, aero and industrial technology, and environmental engineering.

Mr Smith said Dewey Waters and Three Star Engineering, acquired in the period, had been integrated into the water and waste treatment side, which was now of a size that its contribution to profits would be approaching 50 per cent at the year-end.

Over the year an overdraft of £1.39m had been turned into net cash of £400,000.

CH Bailey falls to losses of £664,000

CH Bailey, the ship repairing and diversified engineering contractor, has tumbled to pre-tax losses of £664,000 in the year to March 29.

The decline – from profits of £103,000 – derived from a fall in turnover to £5m (£7.56m). However the share of profits from associated companies grew to £118,000 (£5,000).

Below the line there was an extraordinary credit of £744,000 (nil) relating to the sale of property and other assets. After minorities of £6,000 (£10,000), attributable profits were £85,000 (£114,000).

Losses per share worked through at 1.1p (earnings 0.19p) and again the board has recommended that the dividend be passed.

Drayton Asia assets and profit fall

Net asset value per share at Drayton Asia Trust fell to 86.26p on September 30 1991, from the 90p of six months earlier.

The year before it amounted to 65.85p.

In the year 1990-91 gross income showed a reduction from £3.18m to £2.54m, while earnings per share slipped to 0.92p (0.99p) after a substantial cut in administration expenses. The dividend is held at 0.7p.

Caverdale to raise £1.25m for growth

Caverdale Group, the industrial holding company, proposes to raise £1.25m by way of subscriptions for 25m new ordinary shares at 5p per share. The proceeds will fund the growth of existing businesses.

Further, the group is to acquire two income producing properties for a combination of new ordinary shares and cash and also is to acquire 840,000 shares of United Dutch Group from parties connected with Mr Arild Nerdrum and Mr Damian Aspinall, both directors of Caverdale.

Considerations for the properties – a long leasehold in Wandsworth High St, London, and five flats in London's Cornwall Crescent – was £320,000 in new Caverdale shares and £380,000 in cash and shares respectively. The cost of the UDG shares was £750,000 payable in shares and new loan stock.

Hogg Robinson seals £6.8m transport buy

Hogg Robinson, the travel, transport and financial services group, has paid BF410m (£6.84m) cash for Dens, which is engaged in trailer operations across western Europe and a range of port services, mainly based at Ostend.

Hogg said that the acquisition would "contribute significantly" to its existing transport services on the continent, and would complement the activities of Continental Cargo Carriers and Weys Inter Europa. Mr Peter Tween, managing director of Hogg Robinson Transport, said the purchase would be "an important stepping stone for our further developments in Europe".

Stanley Leisure buys 25 betting shops

Stanley Leisure Organisation has, through its wholly-owned subsidiary, Stanley Racing, conditionally agreed to acquire 25 licensed betting shops from T Mawdsley (Bookmakers).

The shops operate mainly in the north-west of England and are being acquired for £4.24m cash.

At the same time, the vendor has agreed to buy and Stanley Leisure has agreed to allot 203,488 new ordinary Stanley shares at 172p per share.

The £4.24m consideration is split as to £962,000 for the freehold premises, £3m for the betting shop licences and £275,000 for the trading assets.

Bad debts pull back Arthur Shaw profits

Difficult trading conditions and an "exceptionally high level" of bad debts hit Arthur Shaw in the half-year ended September 29, and its pre-tax profit was more than halved to £113,000, against £235,000.

This USM-quoted group makes safety and security fittings for windows, and supplies engineering products and services. It lifted turnover 22 per cent to £7.79m (£6.36m) but found difficulty in reflecting increased costs in selling prices.

Mr Gordon Pearson, chairman, said the recession affected activity in the housebuilding, construction and general engineering industries. Market penetration had been increased in certain areas, such as uPVC window replacement, and maintained in more traditional sectors.

Earnings per share fell to 0.9p (2p) so £39,000 has been withdrawn from reserves to help meet the cost of maintaining the 1.3p interim dividend.

Merchant Retail slips to £1.22m

Merchant Retail Group's taxable profits fell from £1.37m to £1.22m in the half-year to September 28, the result of reduced sales through closures and discontinued business.

Furthermore, Mr David Wallis, chief executive, added that while the effect of Easter being earlier had been anticipated, there was a further reduction because of unseasonable weather at the beginning and end of the period.

The group operates Normans discount supermarkets throughout south-west England and Joplings department stores in the north-east.

Normans' sales were up 1 per cent on a like-for-like basis, disguising the fact that the majority of stores were making volume gains and averaged a 6 per cent increase. Higher costs cut net margins to 3.6 (4.1) per cent and its trading profit dropped to £2.01m (£2.27m).

Joplings' sales rose 2 per cent which was a "very good" performance, said Mr Wallis. It was achieved with increases in own-bought fashions, electricals and from Tynedale Park, the home and garden hyperstore. Its trading profit was £783,000 (£777,000).

The interim dividend is held at 1.1p which means it is short-earned on the capital after the rights issue. Earnings were 0.97p (1.14p).

Net bank borrowings had been reduced from £16.2m at the end of March to £11.8m.

93.55% take-up for Asda rights

By John Thornhill

ASDA, the grocery chain, yesterday announced there had been a 93.55 per cent take-up of its £357m rights issue.

It described the level of acceptances as "very pleasing". The remaining shares were placed at a net premium of 10.9p per share over the subscription price of 35p.

There had been fears in the City that the issue might flop following the poor level of acceptances for recent rights issues from British Aerospace and Hillsdown Holdings.

However, the nine-for-10 issue appears to have been priced at a sufficient discount to attract investors, who were further reassured by the the appointment of Mr Archie Norman, to the vacant post of chief executive.

The Leeds-based company had been struggling with the high level of short-term debt taken on to finance the acquisition of 60 Gateway superstores in 1989.

Its borrowings will now be reduced from £931m to £574m which will cut the gearing level from 72.1 per cent to 36.6 per cent.

GRE sells farming side

By Vanessa Houlder, Property Correspondent

GUARDIAN Royal Exchange, the insurance company, has sold its farming subsidiary to Royal Insurance, in one of the UK's largest sales of agricultural land.

British Field Products, which owns 22,500 acres of land, was put on the market in May at an asking price of £38m. GRE Properties said that the price paid was not significantly below that.

Royal said the acquisition was in line with its strategy of building up its property portfolio in its long-term fund through selective acquisitions.

BFP comprises 11 farms in Cambridgeshire, Lincolnshire and Norfolk, and has good-quality land which is used for high-value products such as potatoes and sugar beet.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 12.11.91	Final Prices for Trading on 10.11.91	Pool selling price
[illegible]	[illegible]	[illegible]	[illegible]

COMMODITIES AND AGRICULTURE

Price fall delays aluminium plant

By Kenneth Gooding, Mining Correspondent

TURMOIL IN the aluminium market, which has driven down prices to the lowest level in 25 years in real terms, has forced another delay on the Iceland's $1bn Atlantal smelter project. The partners said yesterday that, while it was possible to raise finance for the scheme, banks currently were offering "unsatisfactory" loan terms. Building the 210,000-tonnes-a-year plant would only go ahead when market conditions were more favourable.

The Atlantal smelter was originally scheduled to start up in 1994. Icelandic government officials gave a hint about the extent of the set-back when they indicated that a proposed $500m new hydro-electric plant in Fljotsdalur, an integral part of the scheme, would be delayed for at least a year.

The Atlantal consortium, led by Alumax, part of Amax of the US, which has a 40 per cent stake, said preparation of the smelter, now in the final stages, would continue. Other members of the consortium are Hoogovens Aluminium of the Netherlands and Granges, part of Sweden's Electrolux group, each with 30 per cent.

The partners said that if they accepted finance on terms now on offer the total cost of the project would rise substantially. "This could seriously reduce the plant's long-term competitiveness in world markets, thereby diminishing its value to the Atlantal group and Iceland."

Nevertheless, the partners insisted that "Iceland remains the preferred investment territory in terms of political stability, financing, energy and proximity to aluminium markets". It added: "The Atlantal group is still committed to its objective of developing primary [aluminium] capacity in Iceland and will proceed when the conditions are right for the project."

Alumax pointed out that the aluminium market was at present not only affected by a cyclical downturn in demand but was also subject to "aberrational events such as the current increased flow of Russian aluminium into the western world market."

Icelandic officials suggested that the flood of Soviet cheap aluminium, based partly on unrealisticly low rates for freight and electricity, was unlikely to last much longer.

● Workers at the Highland Valley copper and molybdenum mine in British Columbia will vote early next week whether to accept a pay and benefits package put together by company and union negotiators, writes Bernard Simon in Toronto.

Operations at the mine were disrupted earlier this month by a go-slow by workers dissatisfied with the progress of contract negotiations. But an official at Rio Algom, which has a 33 per cent interest in the mine, said yesterday that production had returned to normal in the past week after the intervention of union leaders.

The Rio Algom official was optimistic that the package would be accepted by the 1,050 workers, who are members of the United Steelworkers of America. Both the company and the union declined to reveal details of the proposed new two-year contract.

The settlement was reached with the help of an outside mediator.

London rice futures suspended

By David Blackwell

LONDON'S SCREEN traded rice contract, launched just under a year ago, was suspended yesterday.

The London Futures and Options Exchange (Fox) said that the last five lots were traded last Friday, cancelling out the open interest. During the first nine months of this year only 475 lots (50 tonnes each) were traded.

The suspension follows the closure of the property futures markets last month after irregularities designed to boost trading volumes were uncovered. The chairman and chief executive resigned.

At the time, Fox said that two exchange members were paid £10,000 each to encourage their support of the rice contract, although they were not directed on how they should trade.

In April this year Fox suspended its rubber contract, also traded on the screen-based system, after less than a year of trading.

In September, Fox decided to move the raw sugar contract back to floor trading only eight months after moving it to the screen system.

Mexico launches agricultural revolution

By Damian Fraser in Mexico City

THE MEXICAN government has announced the long-promised reforms of the country's backward and antiquated agricultural sector. Government officials, and even opposition figures, described the legislation as the boldest, and most revolutionary of the presidency of Mr Carlos Salinas de Gortari.

The legislation, proposed last week, would scrap the Mexican state's permanent commitment to land reform, which was enshrined in the 1917 constitution. It would also, in effect eliminate restrictions on the maximum allowable size of holdings (set at 100 irrigated acres); allow limited companies to buy agricultural land, and form associations with small landowners and *ejidatarios* (communal farmers); and let *ejidatarios* sell rights to their plots to other *ejidatarios* or become private landowners.

The reforms strike at the heart of Mexican society. The *ejidos* (communal farms), set up after the country's bloody revolution of 1910-20, now occupy about half the agricultural land and have come to be a symbol of the progress made since the revolution.

Under the proposed legislation many of the 3m *ejidatarios* will sell off their plots, and leave their farms for the cities. As a government official said just after the reforms were announced "a developed country cannot have 30 per cent of its people living in the countryside".

This situation will not be changed overnight, however. *Ejidatarios* only have the right, not the obligation, to sell land, and the vast majority will stay as they are, in the short term at least. The National Indigenous Institute believes that for 80 or 90 per cent of *ejidatarios* "nothing will happen because no-one will want to buy their lands".

The decisions to scrap agrarian reform laws and to remove restrictions on private sector involvement in agriculture are likely to have a more immediate impact.

The new rules will facilitate private-sector investment, improve productivity and thereby raise land prices. The changes will also probably lead to a further shift in production from the Mexican staple diet of beans and maize, to more value-added products, such as fruit, vegetables, livestock and poultry.

The agricultural reforms have met less resistance than many expected, partly because there is general agreement that something had to be done to rescue Mexico's agricultural sector. This sector has underperformed the rest of the economy for the past 25 years. About 70 per cent of the 16m Mexicans who do not have enough to eat live in the countryside.

The average performance conceals the poverty of many of the farmers, since over that period many northern export-orientated farmers have prospered. While agricultural production slumped during last decade, exports to the US – especially in vegetables and livestock – doubled.

But many maize and basic grains farmers remain desperately poor. The average maize farmer in Mexico produces 1.9 tonnes a hectare, compared with 7.4 tonnes in the US. About 45 per cent of the roughly 2m maize farmers (most of whom are *ejidatarios*) do not make the minimum wage.

Inefficiency and poverty in the rural sector has partly been the fault of Mexico's agrarian laws. The commitment to land reform puts landowners in a perpetual state of uncertainty, for fear that their territory would be invaded by land-seeking peasants. In 1988 over 10m hectares of land remained in litigation.

The uncertainty has depressed investment and reduced productivity. In 1987 just 3.2 per cent of bank loans were made to the agricultural sector, even though it employs about a quarter of the population. Half Mexican farms still use oxen.

The land distribution policy also contributed to the small size of plots, a principal cause of agricultural inefficiency. In Mexico the average size of a maize plot is about 4 hectares, compared with more than 35 hectares in the US. Holders of small plots cannot easily borrow money in the private sector, which further depresses investment.

The new reforms should enable average size of plots to increase, and remove legal uncertainty over title holdings. They would thus put the agricultural sector on the same legal footing as the industrial sector. Some of the enormous amount of investment being made by Mexico's private sector may soon find its way to the countryside.

More modest reforms implemented in the past couple of years show that there is some latent private sector (and foreign) interest in investing in Mexican agriculture.

Since last year, three high-profile companies – Gamesa, owned by PepsiCo; Trasgo, jointly with Japan's C. Itoh; and milk producer Productos de Leche, have invested close to $50m in joint projects with *ejidos*.

In all, says Mr Gustavo Gordillo, an under-secretary of agriculture, 72 private-sector companies have formed associations with *ejidos* or small landholders, and another 60 or so are though to be in the in the pipeline.

Gamesa, for example, in a $12m debt-equity swap, provides *ejidos* in Vaquerias, a small town in Nuevo Leon, with capital and expertise, in return for guaranteed supplies of produce.

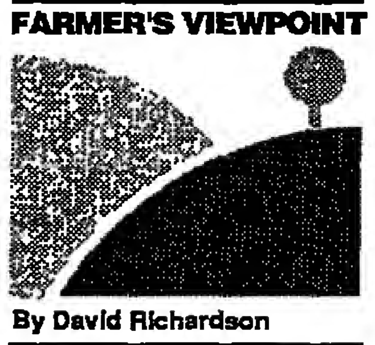
Trasgo, in what appears to have been a particularly successful co-operation, provided $10m in loans to finance over 5,000 *ejidatarios'* production of chickens. The chickens are processed in Mexico, and sent to Japan with the help of the Japanese company C. Itoh.

Such deals will become more common as legal obstacles are removed, and the Mexican private sector moves into agriculture. The huge gap between incomes of rural and urban workers should then start to dwindle.

Scientists reveal misconceptions about pesticide threat

There is ample evidence to confirm that 'inorganic' food is every bit as safe as the 'organic' alternative

FARMER'S VIEWPOINT



By David Richardson

MENTION THE word pesticide to most conventional farmers and they will immediately go on the defensive. They know that many people think of them as evil, toxic substances which do untold damage to human health. They are only too well aware that organic farmers have claimed the moral high ground and that produce grown without the use of such modern aids are believed by some to be of superior quality and value.

Far be it for me to criticise those farmers who for philosophical or commercial reasons seek to satisfy the niche organic market. They have identified a demand, however limited, and I respect their ability to cash in on it. I would predict, however, that organic produce will never expand to fill a significant proportion of the UK's food market.

There a number of reasons for this. In spite of selling at prices well above those for conventional produce, organic food seldom leaves adequate margins either for producers or retailers. Organic farmers are unable to use yield-enhancing artificial fertilisers or other chemical products to control pests and diseases and this means their crops are invariably smaller and their unit costs greater than farmers who do use such aids.

Furthermore, organic sales volumes are low, partly because of the high prices. Indeed it has to be assumed that, in spite of popular press interest in and advocacy of organic food, the vast majority of consumers who happily purchase non-organic produce must accept, whether through conviction or apathy, that what they buy is safe as well as being value for money.

I am pleased to tell them that they are right and there is ample evidence to confirm the fact. Consider, for instance, a paper prepared from widely collected information recently by Bruce Ames and Lois Swirsky Gold, two internationally-respected scientists at the biochemistry and molecular biology departments of the University of California.

In a document entitled "Misconceptions on Pollution and the Causes of Cancer" the authors point out that the mortality rate from all cancers, except lung cancers caused by smoking, has declined in their obsessively health conscious state since 1950 for all age groups except 85 and above.

This of course coincided with the period of greatest growth in the use of pesticides on farms so if they were responsible for causing cancer, as some non-scientists have suggested in the past, the number of cases should have increased.

The reports' authors go on to show how any residues of pesticides in food are dwarfed by toxins which occur naturally in virtually all foods. According to them "about 99.9 per cent of all pesticides in the human diet are natural pesticides from plants".

"When plants are stressed or damaged," they say, "e.g. during a pest attack, they increase the levels of natural pesticides many fold (as their own way of resisting attack) occasionally to levels that are acutely toxic to humans. We estimate that Americans eat about 1,500 mg per person per day of natural pesticides, which is 10,000 times more than they eat of synthetic pesticide residues."

Similar findings have been published about British diets by the Food Research Institute in Norwich, so this is not just a Californian phenomena. In other words it could be argued that food produced with the assistance of protective chemicals are safer than those grown organically.

I would not pursue that line myself for it is obvious to me that, a few isolated examples apart, the food publicly available in the western world today, whether produced organically or inorganically, is entirely safe to eat. Rigorous tests are conducted by government departments and the permitted residue limits set by them are many times lower than any possible danger level. Moreover, I am sure that even untested organic produce with its possibly higher natural levels of toxin is also perfectly safe.

The other criticism frequently aimed at farmers is that by their use of chemical weedkillers and their adoption of high horsepower cultivation techniques requiring large fields to be cost effective, they are destroying the environment. Notwithstanding the efforts of a great many farmers to plant trees and hedges and preserve wildlife habitats the critics persist in their accusations.

Furthermore the criticisms are not confined to the UK but emerge wherever there is a perceived surplus of food. It is, I think, worth making the point in passing that there are few such allegations in places like the Soviet Union where the main problem is shortage, not surplus, of food.

Be that as it may there have been many attempts by the agricultural chemical industry and by farmers to counter this tide of criticism. But many have misfired when the occasional rogue farmer or careless chemical operative have been shown not to care much about the environment or the safety of the food they produce.

Last week, however, Mr John Gummer, the UK minister of agriculture, launched the British version of an international initiative that could become the most widely accepted food and environmental assurance scheme yet seen.

It is based around the somewhat obscurely named concept of integrated crop management. This means the integration of the production of safe, value for money food with care for the environment in which it takes place. The twin objectives of the project, which has been guaranteed pump-priming finance for three years by the European agro-chemical industry, to encourage more farmers to adopt environmentally friendly practices and to publicise the benefits to as wide a public as possible through a network of farms where the techniques can best be demonstrated.

These techniques involve for instance the use of crop rotations rather than mono-cropping; careful and specific applications of pesticides and artificial fertilisers; and the improvement rather than the degradation of habitats for wildlife. But they also accept the vital requirement that to do all these desirable things farmers need to make a profit.

Similar initiatives are being launched in Sweden, Belgium, France, Italy and Spain and the project is well advanced in Germany, where it began a couple of years ago. Eventually finance will be by the agriculture industries in the countries concerned through subscriptions from farmers and its ancillary trades.

In Britain the name adopted for the scheme, which is backed by a wide range of organisations involved in food safety, food retailing, government and conservation as well as farming, is "linking environment and farming", giving it the attractive and appropriate acronym, Leaf. And, in case you are wondering why I am going on about it so much, I had better admit that I am its chairman.

'Green' plan for farming

EXTENSIVE CONTROLS on the use of nitrogen and pesticides and financial "rewards" for farmers who practice environmentally sensitive farming are recommended in a new report by the UK based conservation lobby group Friends of the Earth, writes our agriculture staff.

FoE said yesterday that its plan for the future of UK, and if possible EC, farming aims to reduce farm surpluses, cut pollution, protect the countryside more effectively and keep farmers farming.

The plan proposes compulsory limits on nitrogen use via national quotas and controls for sensitive water catchment areas. It wants a "time-tabled and targetted programme" to reduce the quantity of pesticides, used envisaging new taxes to this end.

On the livestock front, the plan would prohibit new investment in intensive production and rapidly phase out battery systems. It envisages much more open-air livestock production.

Although FoE hopes that its plan would save money on production and export subsidies, it acknowledges that "our system would impose heavier costs". Not only does it envisage compensatory payments to farmers using less nitrogen but it would step up environmental payments.

Farmers, who would have to produce farm management plans, would get aid for changing over to more extensive farming methods while other subsidies would be tied to the provision of "public goods" - a notion known as "cross-compliance" which has recently been endorsed by the more conservative Royal Society for the Protection of Birds.

Off the Treadmill. Friends of the Earth 26-28 Underwood Street, N1 7JQ.

MARKET REPORT

Base metals prices moved lower across the board yesterday on the LME. Lead traded at the lowest levels since March 1987 before recovering slightly at the close. Traders said the lack of the trade buying seen recently on dips below the $520-a-tonne level prompted dealer selling and liquidation. Traders were waiting today's LME stocks data to see if there is any reversal to the long-term uptrend. Three-month zinc failed to make any impression on the stiff band of resistance evident on any advance above $1,050 a tonne. Three-month aluminium held above $1,160 a tonne, although the market came under early pressure from liquidation orders, prompted by Friday's close below $1,180, which once again found little consumer interest. News that total IPAI stocks fell 18,000 tonnes in September, after upward revisions to August data, had little impact. Copper prices were easier responding to declines in New York and long liquidation. Dealers said weekend news that Highland Valley had agreed a new two-year labour contract and the resumption of mining in Zaire had lessened concern over supplies. London cocoa prices were easier, with the market under pressure from high early Ghana cocoa purchases and Ivorian arrivals.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.65-8.75	-0.95
Brent Blend (dated)	$21.40-1.80	-0.35
Brent Blend (Dec)	$21.50-1.55	-0.35
W.T.I. (1 pm est)	$22.65-2.70z	-0.50
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$240-242	-4
Gas Oil	$216-217	$-5\frac{1}{2}$
Heavy Fuel Oil	$88-90	
Naphtha	$223-226	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$355.25	+1.30
Silver (per troy oz)♣	402.5	
Platinum (per troy oz)	$359.75	+2.00
Palladium (per troy oz)	$85.50	-0.50
Copper (US Producer)	110.88	
Lead (US Producer)	37.83	
Tin (Kuala Lumpur market)	14.92r	-0.01
Tin (New York)	255.5	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.41p	-0.76*
Sheep (dead weight)†	137.62p	+18.9
Pigs (live weight)†	79.10p	+3.00*
London daily sugar (raw)	$221.5x	-0.5
London daily sugar (white)	$261.5x	-1.0
Tate and Lyle export price	£233.5	-0.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£141.25	
Wheat (US Dark Northern)	£101	
Rubber (Dec)♥	52.00p	
Rubber (Jan)♥	52.00p	
Rubber (KL RSS No 1 Dec)	225.5m	
Coconut oil (Philippines)§	$425y	
Palm Oil (Malaysian)§	$372.5u	
Copra (Philippines)§	$390z	+5
Soyabeans (US)	£148	-1
Cotton "A" Index	63.95c	-0.30
Wooltops (64s Super)	398p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Jan/Mar x-Nov/Dec y-Dec/Jan z-Dec. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Dec	193.00	195.00	193.00	
Mar	189.00	189.80	189.20	187.20
May	189.50	189.80	188.00	187.00
Aug	193.00	195.00	190.00	
White	Close	Previous	High/Low	
Dec	282.2	282.0	283.0	280.0
Mar	278.2	277.8	279.0	277.0
May	277.2	276.5	277.5	276.0
Aug	280.2	278.5	280.5	279.0
Oct	256.7	255.3	258.0	254.5
Mar	254.7	254.3	254.0	253.0

Turnover: Raw 222 (1197) lots of 50 tonnes. White 953 (2052)
Paris- White (FFr per tonne): Dec 1579.92, Mar 1583.58

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Dec	21.48	21.84	21.82	21.43
Jan	21.30	21.69	21.65	21.22
Feb	21.05	21.41	21.39	20.98
Mar	20.88	21.05	20.87	20.68
Apr	20.50	20.80	20.90	20.50
May	20.32	20.60	20.55	20.32
IPE Index	21.94	22.02		

Turnover 32342 (26286)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Nov	214.75	220.50	219.25	214.50
Dec	215.75	221.00	220.25	215.00
Jan	214.25	218.75	218.50	213.00
Feb	206.00	210.50	210.25	205.75
Mar	198.25	202.25	203.00	198.00
Apr	190.75	194.75	186.00	190.75
May	184.00	188.00	184.00	
Jun	180.50	184.00	180.50	

Turnover 19198 (16548) lots of 100 tonnes

TEA

Better quality Assams sold well at fully firm rates while mediums were often appreciably dearer and plainer sorts met increased support, reports the Tea Brokers' Association. Bright liquoring East Africans remained steady at last levels. Medium descriptions showed less irregularity and were mostly 4p to 8p dearer. Plainer teas came to a firm market. The few Ceylons in catalogue sold at about previous levels. Offshore teas produced fair demand at firm to dearer rates. The highest price realised this week was 201p for an Assam. Quotations: quality 190p, medium 122p, low medium 80p.

WORLD COMMODITIES PRICES

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	732	738	738	727
Mar	772	775	778	768
May	794	799	802	791
Jul	820	823	827	818
Sep	841	845	848	839
Dec	867	870	868	867
Sep	941		947	941

Turnover: 3355 (5448) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov.8 953.97 (937.80) 10 day average for Nov.11 941.84 (941.45)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Nov	555	565	567	558
Jan	574	578	580	571
Mar	558	558	560	550

Turnover:3580 (3852) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov.8: Comp. daily 63.71 (62.93) 15 day average 63.47 (63.54)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	131.8	132.3	132.5	131.5

Turnover 99 (175) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Apr	130.00	132.00	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Nov	1638	1648		
Dec	1640	1653	1653	1650
Jan	1664	1679	1676	1664
Apr	1672	1680	1678	1670
BFI	1641	1654		

Turnover 210 (260)

GRAINS – London FOX			£/tonne
Wheat	Close	Previous	High/Low
Jan	121.80	122.00	121.80
Mar	125.20	125.30	125.20
May	128.20	128.30	128.20
Barley	Close	Previous	High/Low
Nov	114.20	114.40	114.25
Jan	117.85	118.15	117.95
Mar	120.85	121.15	

Turnover: Wheat 65 (20), Barley 36 (127).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Nov	100.0	100.0	100.0
Mar	105.0		105.0
Apr	106.0		105.0
May	106.0	106.0	105.0

Turnover:17 (27) lots of 3,250 kg

MGMI – London FOX					
	Close	Prev.	High	Low	Vol
Indx	133.75	134.47			

LONDON METAL EXCHANGE		(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 27,189 lots	
Cash	1137-8	1152-3	1134.5/1134.5	1134.5-5.0		
3 months	1165-6	1178.5-9	1175/1182	1162.5-3.0	1165-5.5	137,885 lots
Copper, Grade A (£ per tonne)					Total daily turnover 24,825 lots	
Cash	1333.5-4.0	1343-5	1344/1333	1344-4.5		
3 months	1319-9.5	1329-9.5	1332/1319	1330-1	1318.5-9.5	104,485 lots
Lead (£ per tonne)					Total daily turnover 1,868 lots	
Cash	277.5-8.5	285.5-6.0	283.5/283.25	283.25-3.75		
3 months	290-1	297.25-7.50	296/289	296-6.5	291-2	12,849 lots
Nickel ($ per tonne)					Total daily turnover 1,687 lots	
Cash	7275-85	7305-15	7295/7295	7295-300		
3 months	7340-5	7370-75	7365/7340	7355-60	7340-5	18,870 lots
Tin ($ per tonne)					Total daily turnover 701 lots	
Cash	5510-20	5530-35	5517/5517	5516-8		
3 months	5580-5	5592-93	5585/5575	5575-8	5580-4	4,905 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 5,369 lots	
Cash	1029-31	1033-34		1035-6		
3 months	1047-8	1049-50	1052/1046	1052-3	1047-8	32,712 lots

LME Closing £/$ rate:
SPOT: 1.7695 3 months: 1.7477 6 months: 1.7334 9 months: 1.7146

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	356.00-355.50	
Opening	354.80-355.00	
Morning fix	354.90	201.396
Afternoon fix	354.90	200.452
Day's high	355.10-355.60	
Day's low	354.60-354.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.52	6 months	4.38
2 months	4.58	12 months	4.31
3 months	4.50		

Silver fix	p/fine oz	US cts equiv
Spot	228.95	403.75
3 months	234.70	408.65
6 months	240.35	413.65
12 months	251.75	424.25

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	355.00-358.00	200.50-201.00
Maple leaf	365.00-368.00	206.25-206.75
New Sovereign	86.50-87.50	48.75-49.25

TRADED OPTIONS

Coffee	Jan	Mar	Jan	Mar
500	77	64	3	7
550	38	31	14	24
600	15	13	41	56
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	35	86	3	15
725	18	69	11	23
750	7	54	25	33
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
2150	29	55	3	54
2200	2	30	25	88
2250		12		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	355.3	354.2	0	0
Dec	356.2	355.2	356.3	355.5
Jan	357.7	356.5	0	0
Feb	359.0	357.9	359.1	358.4
Apr	361.4	360.2	361.2	360.7
Jun	363.9	3362.7	363.9	363.3
Aug	366.6	366.4	366.5	366.5
Oct	369.2	368.0	0	0
Dec	372.0	370.8	371.3	371.3

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	360.5	358.0	361.5	358.5
Apr	363.3	360.8	364.0	361.5
Jul	366.1	363.6	366.6	366.6
Oct	372.1	369.6	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	398.8	399.1	399.5	399.5
Dec	401.0	400.3	404.0	400.5
Jan	402.6	401.8	0	0
Mar	406.8	406.0	410.0	406.5
May	410.8	410.0	414.0	411.5
Jul	414.4	413.6	414.5	414.5
Sep	418.5	417.8	0	0
Dec	424.5	423.6	427.5	425.5
Jan	426.8	425.9	0	0
Mar	431.2	430.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	104.35	105.80	105.00	104.35
Dec	104.00	105.40	105.00	103.70
Jan	103.35	104.45	104.00	103.40
Feb	102.95	103.95	103.80	102.70
Mar	102.45	103.40	103.10	102.20
Apr	101.90	102.80	0	0
May	101.40	102.25	102.00	101.30
Jun	100.95	101.80	0	0
Jul	100.55	101.40	100.80	100.80
Aug	100.15	101.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.61	8.65	8.64	8.54
May	8.58	8.63	8.60	8.52
Jul	8.54	8.60	8.59	8.51
Oct	8.52	8.60	8.59	8.50
Mar	8.48	8.55	8.59	8.48

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Dec	22.56	23.01	23.02	22.52
Jan	22.44	22.87	22.88	22.35
Feb	22.22	22.65	22.65	22.15
Mar	21.98	22.39	22.36	21.90
Apr	21.74	22.13	22.14	21.70
May	21.54	21.91	21.90	21.45
Jun	21.38	21.71	21.65	21.31
Jul	21.22	21.55	21.55	21.25
Aug	21.10	21.41	0	0
Sep	21.00	21.29	21.27	21.03

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Dec	6757	6957	6958	6750
Jan	6800	6983	6970	6780
Feb	6668	6839	6820	6650
Mar	6339	6481	6485	6330
Apr	6039	6180	6190	6040
May	5834	5975	5910	5875
Jun	5719	5855	5856	5865
Jul	5669	5805	5750	5700
Aug	5714	5840	5780	5790
Sep	5824	5945	5905	5905

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1199	1197	1205	1192
Mar	1261	1259	1265	1256
May	1299	1297	1301	1295
Jul	1327	1330	1331	1329
Sep	1354	1352	1363	1356
Dec	1390	1388	1400	1398
Mar	1425	1428	1431	1428
May	1448	1453	0	0
Jul	1468	1472	0	0
Sep	1491	1494	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	78.30	78.70	78.90	77.60
Mar	82.20	82.90	82.90	81.70
May	84.40	85.50	85.25	84.40
Jul	86.70	88.00	87.70	88.70
Sep	89.80	90.50	90.25	89.60
Dec	93.50	94.40	93.50	93.50
Mar	97.00	98.00	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	57.67	58.52	58.80	57.60
Mar	59.74	60.45	60.53	59.57
May	60.35	61.13	61.15	60.25
Jul	61.00	61.60	61.55	60.95
Oct	62.72	63.04	63.05	62.80
Dec	62.98	63.37	63.50	62.97
Mar	64.35	64.80	64.75	64.75

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	169.25	167.50	169.25	167.50
Jan	173.10	169.90	173.50	170.30
Mar	173.30	170.50	173.50	170.75
May	173.45	171.00	172.25	171.50
Jul	173.30	171.00	0	0
Sep	173.00	171.00	171.80	171.80
Nov	162.00	159.50	0	0
Jan	161.50	159.00	160.00	160.00
Mar	161.00	158.50	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Nov.11	Nov.8	mnth ago	yr ago
1829.0	1632.8	1820.5	1898.2

DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov.8	Nov.7	mnth ago	yr ago
Spot	112.96	112.98	113.87	122.71
Futures	121.70	121.13	123.12	127.34

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	546/2	554/0	551/0	544/0
Jan	547/4	554/6	553/0	545/4
Mar	555/0	562/6	560/4	553/0
May	563/2	571/6	568/4	561/4
Jul	571/6	578/4	576/0	569/2
Aug	573/4	580/0	575/0	573/0
Sep	566/4	575/0	573/0	566/4
Nov	568/6	575/4	575/4	568/0

SOYABEAN OIL 60,000 lbs, cents/lb				
	Close	Previous	High/Low	
Dec	18.71	18.91	18.88	18.56
Jan	18.82	19.07	19.00	18.72
Mar	19.17	19.41	19.38	19.06
May	19.46	19.68	19.68	19.40
Jul	19.76	20.01	19.93	19.70
Aug	19.95	20.20	20.05	19.87
Sep	20.07	20.25	20.10	20.00
Oct	20.05	20.35	20.25	20.05

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	177.8	180.3	179.5	177.8
Jan	175.7	178.1	177.5	175.5
Mar	173.9	176.1	175.0	173.3
May	172.7	175.0	174.0	172.3
Jul	172.7	175.0	174.3	172.5
Aug	172.7	174.2	174.0	172.5
Sep	173.2	174.7	174.0	172.3
Oct	178.3	185.2	183.5	178.3

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	243/0	245/0	245/0	242/4
Mar	252/4	254/4	254/2	251/6
May	259/2	260/6	260/6	258/4
Jul	264/2	265/4	265/4	263/6
Sep	257/4	257/4	258/4	257/2
Dec	254/6	255/2	255/0	254/2
Mar	261/4	262/2	261/4	261/2

WHEAT 5,000 bu min, cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	347/4	351/0	351/4	347/2
Mar	347/2	350/6	351/2	347/0
May	333/0	336/6	337/2	333/0
Jul	318/6	320/6	321/0	318/0
Sep	321/6	328/0	326/4	321/4
Dec	331/0	335/0	331/0	331/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	74.92	74.22	75.05	73.97
Feb	75.45	74.90	75.50	74.65
Apr	74.82	74.17	74.85	74.00
Jun	70.95	70.72	71.00	70.55
Aug	69.02	68.85	69.25	68.90
Oct	69.50	69.30	69.55	69.40
Dec	70.50	70.50	0	0

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	42.55	42.27	42.85	41.97
Feb	43.22	42.97	43.35	42.77
Apr	40.87	40.67	41.07	40.65
Jun	45.60	45.50	45.80	45.35
Jul	45.55	45.37	45.60	45.35
Aug	44.45	44.27	44.45	44.00
Oct	41.15	41.12	41.20	41.15
Dec	41.37	41.30	41.50	41.35

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	41.75	41.75	42.10	40.97
Mar	41.70	41.60	42.00	41.00
May	42.82	42.62	43.00	42.20
Jul	43.95	43.60	44.10	43.00
Aug	41.60	41.80	42.10	41.00

LONDON STOCK EXCHANGE

Initial confidence soon proved fragile

By Terry Byland, UK Stock Market Editor

A REMINDER of the potential hazards still lurking on the corporate front hit the London stock market yesterday when British Steel disclosed a setback in first half profits even greater than feared by City analysts, a shock which immediately raised fears about the end of year dividend payment. Shares in British Steel suffered a substantial setback in heavy trading, and the rest of the equity market reversed an early gain and was struggling to hold on to the FT-SE 2,550 mark at the close.

The stock market had been moving firmly until the British Steel announcement hit confidence. Investors hope that Friday will bring the news of another dip in domestic inflation, perhaps to below 4 per cent to its lowest level for nearly four years. However, ignoring this reason for optimism, hopes for an early cut in UK base rates dimmed as London money market rates edged higher yesterday. No surprises were expected from last night's speech at the Lord Mayor's Banquet by Mr John Major, the UK prime minister.

The latest economic data did little to change views on the near term outlook. A rise of 0.3 per cent in final retail sales and a slight dip in net consumer credit for September gave no encouragement to hopes for a consumer-led economic revival.

By 9.30am, the FT-SE Index had climbed by just over 13 points on the Footsie, encouraged by early strength in the December Footsie future contract as the new trading account opened. Turnover was fairly modest, although the mood was helped along by the announcement of success for the £357m rights issue from Asda, the supermarket group.

But the stock market turned down smartly after the British Steel announcement, and with dividend worries spreading to other shares considered vulnerable, the Footsie Index fell into negative territory. London steadied in late dealings when Wall Street rallied from its initial fall to show a loss of 3.5 on the Dow in UK trading hours.

The final reading put the FT-SE Index at 2,554.9 for a net loss on the day of 4.1. Seaq volume, although below Friday's level of 556.1m shares, remained fairly high by recent standards at 403.5m. However, yesterday's total featured heavy trading in a few stocks.

In addition to British Steel, which traded massively, attention focused on Hawker Siddeley and BTR as investors appeared to take their profits on Hawker shares without waiting to see the final outcome of BTR's increased offer.

Among the brighter features was BT after reports in the UK press that the big UK investment institutions want twice the amount they have been offered in the Government sale of stock, and will therefore be heavy buyers when the new shares enter the market next month.

The sudden shadow over dividend prospects at British Steel was unsettling for an equity market now resigned to the likelihood that only an improvement in corporate news can convince investors that the economy is close to bottoming out of the recession.

At Kleinwort Benson Securities, Mr Trevor Laugharne commented: "Market in a mind to do nothing – at least until the political outlook looks clearer." Mr Richard Kersley at Barclays de Zoete Wedd said that a tightening in institutional liquidity suggested that there will be "fewer buyers around on bad news."

Account Dealing Dates		
*First Dealings:		
Oct 28	Nov 11	Nov 25
Option Declarations:		
Nov 7	Nov 21	Dec 5
Last Dealings:		
Nov 8	Nov 22	Dec 6
Account Day:		
Nov 18	Dec 2	Dec 16

*New-time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	86.87	87.26	87.04	86.74	86.50	80.20	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.55	96.53	96.45	96.24	96.16	88.43	97.17 (2/10)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1972.0	1975.5	[illegible]	1949.6	1948.1	1589.7	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	149.4	148.9	150.8	153.6	154.7	163.5	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2554.9	2559.0	2538.0	2534.2	2540.9	2051.9	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1156.480	1159.92	1148.14	1144.82	1149.20	-	1198.60 (3/9)	938.62 (16/1)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord Div. Yield	4.97	4.96	5.01	5.02	5.02	6.04				
●Earning Yld %(full)	7.60	7.59	7.67	7.69	7.69	12.54				
●P/E Ratio(Net)(*)	16.50	16.51	16.36	16.31	16.31	9.65				
SEAQ Bargns 4.45pm	26,049	31,605	27,618	23,670	23,894	18,724				
Equity Turnover(£m)†	-	1072.13	902.58	1006.34	853.83	588.82				
Equity Bargains†	-	31,117	27,533	22,843	22,774	17,565				
Shares Traded (ml)†	-	507.2	448.2	471.2	451.6	292.8				

Basis 100 Govt Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ● Nil 15.58. ♦ Partial.

Ordinary Share Index, Hourly changes — Day's High 1983.3 — Day's Low 1971.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1974.2	1981.4	1981.4	1983.0	1982.9	1980.2	1979.3	1975.1	1972.6

FT-SE 100, Hourly changes — Day's High 2572.4 — Day's Low 2553.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2556.8	2568.1	2569.2	2569.8	2569.7	2563.5	2563.0	2556.9	2555.8

FT-SE Eurotrack 200, Hourly changes — Day's High 1163.35 — Day's Low 1156.48

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1160.87	1162.36	1163.14	1162.16	1160.79	1159.80	1159.14

GILT EDGED ACTIVITY

Indices*	Nov 8	Nov 7
Gilt Edged Bargains	94.6	93.6
5-Day average	95.3	97.0

*SE Activity 1974
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Heavy trade in Steel

BRITISH STEEL fell steeply and turnover surged to a near record level after a gloomy interim trading statement cast doubts over prospects for the year-end dividend.

Half-time profits were down 94 per cent to £19m. The interim dividend was held at 3p but the chairman said the final payment would hinge on developments in British Steel's markets.

The chairman's statement was followed by hectic trading in the shares. The Seaq screen at one point showed the bid price of some dealers above the offer price of others, as the shares plunged 26½ to 88p with dealers rushing to unload stock. Traders took their cue from UBS Phillips & Drew, the company's broker, which was said to be among the day's main sellers. The broker was reported to be "cautious about ongoing prospective dividend payments".

By the close, turnover had reached a mighty 57m shares, its highest single day's total. There was a buyer of a 5m-share block at 91p, which helped to steady the shares, finally 23 down at 91½p.

Analysts are now predicting a final dividend of around 2p, against last year's 5.75p.

Mr Robert Sassoon at County NatWest advised investors to sell, saying "this stock will not outperform", but Mr Mustapha Omar at brokers Williams de Broe, while also predicting a dividend cut, said "at these levels the bad news is already in the price".

British Steel is reported to have steered analysts towards a £75m full-year loss, although many have predicted losses around the £100m mark. The company is due to start presentations to US investors at the end of this week.

Asda success

Supermarket group Asda was a resolute performer at the top end of the food retailing sector as the group celebrated confirmation of weekend reports that its £357m rights offer had proved a resounding success. The company said 93 per cent of the stock issued via the rights, in the ratio of nine-for-10 at 35p, had been taken up.

The "rump" of the rights issue, some 68m shares, were placed in the market at a fraction over 46p, dealers said. The stock was said to have been placed relatively easily, in an operation carried out by S.G. Warburg Securities and Cazenove, joint brokers to Asda.

Traders registered surprise at the level of take-up for the issue, after the exceptionally poor reception given to the most recent of the big rights issues, namely British Aerospace's spectacular flop which attracted a take-up of less than 5 per cent of the £432m issue, and the 48 per cent take-up of Hillsdown's £280m issue.

Asda new fully paid stock ended the session unchanged on balance at 47p, while the old shares were a shade better at 47½p. Turnover in the new fully paid shares was 601,000, with Seaq-reporting of the placing of the 68m-share rump said to have been delayed for 48 hours. Turnover in the old shareswas a relatively thin 8m.

Hawker deals

The crossing of two blocks of shares in bid target Hawker Siddeley accounted for the majority of the day's turnover in the stock of 7.1m shares. It closed a penny easier at 731p xd after a 10p interim dividend.

The first of the crosses, for 1.8m shares, was done at 725p and the second, of 1.2m, at 730p. Dealers also talked of sporadic institutional selling.

Traders continued to believe that Hawker's days as an independent entity are numbered. Its predator BTR yesterday announced it had a 14.9 per cent holding in Hawker, acquired either in the market or in acceptances for the takeover bid. BTR closed barely changed at 393p.

The composite insurance sector was in good heart for much of the session but began to wilt towards the close of business. Today brings third-quarter figures from General Accident, the first of the composites to report, and there were vague stories circulating in the market of a rights issue.

Most dealers and specialists dismissed the stories but General Accident shares retreated from an early 498p to end 5 off at 484p. Turnover, generally a reliable indicator of substantial impending news, was a thin 745,000 shares. County NatWest expects GA to record a third-quarter loss of £130m, compared with a previous loss of £73.3m.

Royal Insurance, scheduled to report third-quarter numbers on Thursday, picked up 4 to 294p amid suggestions that other fund-raising exercises, possibly involving European links, may well be announced along with the figures. County expects Royal, regarded as having the biggest exposure to the loss-making mortgage indemnity business, to record a loss of £135m, compared with a previous deficit of £91m.

A County NatWest recommendation to switch out of the power generators and into a number of the regional electricity companies (Recs) was behind the marked underperformance of PowerGen, which lost 5 to 158p on 3.1m, and National Power, down 6 at 148p on 3.9m. County's preferences in the Recs included East Midland, 7 firmer at 257p, and South West, 4 harder at 260p.

Pharmaceuticals group Wellcome climbed strongly yesterday on expectations that it will report sharply higher 1991 profits on Thursday. The shares gained 17 in early trading before closing 10 up at 807p on turnover of 1.5m, heavy for the stock.

Analysts said the company's annual profits will have risen as much as 27 per cent; forecasts range between £380m to £400m compared with £315m last year. Wellcome makes AZT, also known as Retrovir, the most widely used treatment for HIV and Aids.

The group's decision to divest itself of its remaining non-core businesses should boost profit margins next year, analysts added.

SmithKline Beecham eased 2½ to 825p ex-dividend. The group filed an application with the Japanese Ministry of Finance yesterday to approve a listing of its "A" shares on the Tokyo Stock Exchange.

Positive first-half results from Amersham were reflected in a share price rise of 9 to 393p. Analysts came away from their meeting with the company feeling it was still having a tough time in some of its sectors but that prospects were improving.

Glaxo, which announced that it was seeking regulatory approval for its anti-emetic drug Zofran, improved 3 to 785p. Good turnover of 3.9m was boosted by a line of 1.8m shares traded at 770p, one minute before the official close of trading.

Disappointing interim results from its Australian and Far East subsidiaries caused Rothmans International "B" shares to fall sharply. The stock, which is tightly traded, tumbled 40 at one stage before closing a net 36 off at 1124p. Observers said the results were not as bad as the profits fall suggested.

Unilever gained 3 to 841p. The company announced that Dr Karl Otto Pöhl, former president of the Deutsche Bundesbank, has been appointed as an advisory director of the company with effect from January 1.

Leisure company Rank Organisation dropped 18 to 647p after County NatWest lowered its profits forecasts for the group.

County reduced its 1991 estimate by £18m to £220m. It predicted 1992 profits of £245m, instead of £280m, and cut the 1992 dividend forecast by 1.5p to 31p.

Troubled jewellery retailer Ratners came in for another bout of sustained selling pressure, which left the shares down 12 at a five-year low of 58p. Turnover was a hefty 3.8m shares.

Storehouse lost 5 to 106p after the County NatWest team said the 110p level presented a "renewed selling opportunity".

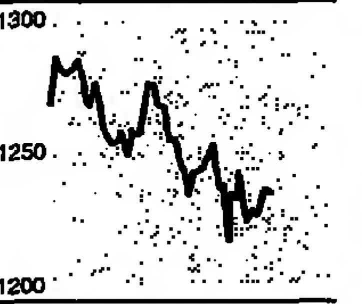
Confirmation of long-running market hints that Northern Foods is interested in buying some of the Express Dairy businesses from Grand Metropolitan drove down Northern shares in early trading as the market reacted to fears of a cash-raising exercise or a substantial placing of Northern Foods stock. Northern fell to 518p at the outset but stabilised to close 5 off at 523p. GrandMet closed 9 to the good at 864p, after 869p.

British Aerospace gave up 6 to 355p after it was reported that GEC was not about to bid for the company. British Airways retreated 4 to 202p ahead of today's interim results.

MARKET REPORTERS:
Peter John, Joel Kibazo,
Jim McCallum,
Steve Thompson.

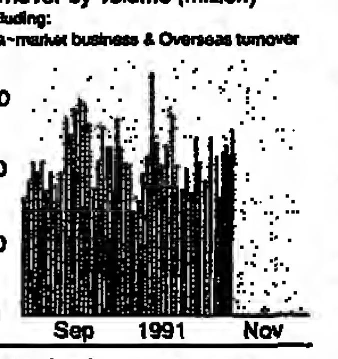
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 31.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (68).
BRITISH FUNDS (2) Tr. 9pc '92-96, Tr. 2pc IL 1994, AMERICANS (1) Merrill Lynch, CANADIANS (2) Bank of Nova Scotia, BC Gas, BANKS (6) ABN Amro, ANZ, HSBC, Schroders, Do. N/V, Westpac, BREWERS (5) Grand Met., Guinness, Do. 5.75pc Prf., Do. 8.75pc Cnv., Wolv. & Dudley, CHEMICALS (3) Amersham Intl., Plysu, Wardle Storeys, Wolstenholme Rink, Yorkshire, STORES (4) Body Shop, Hogg Robinson, Shani, Smith (WH), ELECTRICALS (5) CML Microsystems, Cambridge Elects., Domino Printing Sciences, Thorn EMI, Tunstall, ENGINEERING (3) Locker (T), Meggitt, Victaulic, FOODS (1) Cranswick Mill, INDUSTRIALS (26) Bimec, Bodycote Intl., Boxmore Intl., Caverdale, Cornwell Parker, De La Rue, Elga, Hafslund Nycomed B, Do. A, Halma, Huntleigh Tech., Marling, Morgan Crucible 7.5pc Prf., Novo Nordisk, Petrocon, Stag Furniture, RCO, Sidlaw, Sinclair (Wm), Sketchley, Spring Ram, Suter, Tomkins 5.25pc Prf., Unilever, Warner Howard, Wellcome, INSURANCE (1) Lloyd Thompson, LEISURE (3) Aircoura, Campari Intl., Chrysalis, NEWSPAPERS (1) News Intl., TEXTILES (1) Courtaulds, TRANSPORT (1) Brit. Airways 9.75pc Cnv., TRUSTS (11) Aberforth Smllr. Co's., British Assets 6pc Ln. '95, Dartmoor, General Consld. Prf., Mercury Asset Mgmt., Murray Enterprise, Do. Zero '94, Olim Zero Crpn. Prf., River Plate Zero Prf., Scottish Natl. Sppd. Prf., TR Tech. Zero Prf., OILS (4) North Sea Assets, Pan Pacific, Total B, Utd. Energy, MINES (6) Anglovaal, De Beers, Doral Res., Indonesian Diamond, Metana Minerals, Northgate Expln.
NEW LOWS (41).
AMERICANS (1) Tenneco, BREWERS (1) Eldridge Pope, BUILDINGS (1) SWP, STORES (2) Ratners, Do. 6 7/8pc Prf., ELECTRICALS (4) Alphameric, Burnfield, Ericsson, Sema, ENGINEERING (3) ASW, Aerospace Eng., Beaufort, FOODS (2) Appleby Westward, Ashley, INDUSTRIALS (16) ADT, Baris, Beckenham, British Steel, Elkem, Gestetner, JS Pathology, Nobo, Waterman Partnership, Whitecroft, LEISURE (6) Allied Radio, Do. 8pc Ln. 2001, Kunick, Midlands Radio, Quadrant, TSW, NEWSPAPERS (1) Gardner (DC), PROPERTY (4) Christie, Derwent Valley, London Secs., Speyhawk, SHOES (1) Stylo, TRANSPORT (1) All Nippon Airways, TRUSTS (3) South America Fund, Strategem, US Smaller Co's., PLANTATIONS (1) Highlands.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	25	403	-2	Cookson	3,900	114	-1	Lucas	1,100	137	-2	Severn Trent Water	741	373	+1
ASDA Group	8,300	47½	+½	Courtaulds	667	489	+1	MB Caradon	615	249	-1	Shell Transport	2,700	518	-1
Abbey National	1,000	282	+3	Dalgety	218	380	-5	MEPC	75	475	+1	Siebe	658	498	[illegible]
Albert Fisher	857	86	-2	De La Rue	34	458	+3	Manweb	225	300	+3	Slough Ests	[illegible]	[illegible]	
Allied-Lyons	773	604	+2	Dixons	349	241	-1	Marks & Spencer	1,800	293	-3	Smith (W.H.) A	150	494	
Amstrad	741	38		ECC Group	358	487	+2	Maxwell Comms	630	18	-1	Smith & Nephew	1,000	135	[illegible]
Anglian Water	241	368	+4	Eastern Elect	729	245	+5	Midland Bank	1,500	298	+1	SmithKline Beecham	1,400	825	-2½
Argos	894	324		East Midland Elect	354	257	+5	Midlands Elect	573	262	+3	SmKl Beecham Uts	77	362	[illegible]
Argyll Group	2,200	279	+1	Enterprise Oil	798	536	+1	NFC	443	222	-2	Smiths Inds	167	[illegible]	[illegible]
Arjo Wiggins	203	277	+2	Eurotunnel Units	484	432	[illegible]	NatWest Bank	941	319	+4	Southern Elect	210	260	+4
Ass. Brit Foods	26	467	-3	FKI	1,000	64	-2	National Power	3,900	148	-6	South Wales Elect	8	319	+6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Airways	874	202	-4	Hawker Sidd.	7,100	731	-1	Reed Intl	524	486	-2	Ultramar	1,800	[illegible]	+3
British Gas	3,600	248	-1	Hillsdown	438	197	-2	Rentokil	278	354		Unigate	244	313	-2
British Land	105	301	-2	IMI	90	238		Reuters	400	984	-5	Unilever	565	841	+3
BP	4,100	328½	-4	ICI	282	1243	-2	Rolls Royce	3,000	141	-½	United Biscuits	972	388	+4
British Steel	57,000	91½	-23	Inchcape	222	387		Rothmans	478	1124	-36	Utd Newspapers	1,000	388	-2
British Telecom	3,400	372	+6	Kingfisher	701	564	-6	Ryl Bk Scotland	155	177		Vodafone	344	359	+1
Bunzl	449	80	-2	Ladbroke	2,300	259	+4	Royal Insurance	2,700	294	+4	Wellcome	1,500	807	+10
Burmah Castrol	160	563	-1	Land Securities	625	508	-1	Saatchi	1,800	13½		Welsh Water	136	381	+4
Burton	5,000	43½		Laporte	13	586	+1	Sainsbury	1,400	351	-1	Wessex Water	73	403	+3
Cable & Wire	914	553	+3	Legal & General	1,200	391	+3	Scottish & New	1,600	401		Whitbread 'A'	240	467	-4
Cadburys	432	408		Lloyds Abbey	362	387	+1	Scot Hydro-Elect	228	107	-1	Williams Hldgs	287	330½	-½
Caird Group	314	245	-1	Lloyds Bank	1,200	393	+6	Scottish Power	2,900	104	-1	Willis Corroon	391	222	-2
Carlton Comms	229	514	-4	LASMO	219	311		Sears	2,300	86	-1	Wimpey	2,800	160	-1
Coats Viyella	1,600	179	-2	London Elect	175	256	+3	Sedgwick	253	240	+2	Yorkshire Elect	298	298	+6
Comm Union	182	481	+2	Lonrho	485	233	-½	Seeboard	100	272	-1	Yorkshire Water	135	387	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE FIRST day of the new trading account in the stock market proved a trap for last week's enthusiastic buyers of the Footsie futures, writes Terry Byland.

The December future contract opened sharply higher, extending its premium to around 40 points against cash. Since the fair value premium, which allows for funding and dividend flows, was cut by eight points to 18 yesterday morning as the new account opened, the initial market quotation was soon found to unsustainable.

Sellers, mostly the local traders, prompted the downward move in the contract which gathered pace as the underlying stock market turned tail after British Steel disclosed a heavy fall in profits. By the close, the premium on the Footsie contract had been trimmed to around 30 points, although trading volume was unimpressive.

Turnover was also lower in the Traded Options market, where 22,990 contracts compared with 27,326 on Friday. The actives list was headed by Asda, with 5,552 lots dealt as the rights issue was declared successful and the market looked to see if any stock was placed. British Steel, under heavy pressure in the cash market, traded 4,307 lots.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99	96	Treas 8pc 1991	99 xd	...	8.02	[illegible]
101½	100	Treas 12¾pc 1992‡‡	100¾	..	12.69	[illegible]
100¼	97	Treas 10pc 1992	99¾		10.01	[illegible]
133¾	125¼	Treas 2pc IL 1992‡‡	133¾		1.98	[illegible]
99¼	95	Treas 8pc 1992 ‡‡	99		8.07	[illegible]
100	98½	Treas 10½pc Cv 1992‡‡	100	....	10.47	[illegible]
97¼	91	Treas 3pc 1992	97¼ xd		3.08	[illegible]
102	100¼	Exch 12¼pc '92	101¼		12.04	[illegible]
104¼	102	Exch 13½pc 1992	103	......	13.11	[illegible]
98¾	94	Treas 8¾pc 1993	98¼		8.39	[illegible]
100¼	97	Treas 10pc 1993‡‡	100	+⅛	9.94	[illegible]
104¼	102¼	Treas 12½pc 1993‡‡	104¼		11.99	[illegible]
95	89¾	Funding 6pc 1993‡‡	95		6.30	[illegible]
108	105¾	Treas 13¾pc 1993‡‡	107 xd		12.81	[illegible]
97	92	Treas 8¼pc 1994	97		8.70	[illegible]
111¼	108	Treas 14½pc 1994‡‡	109¾	.....	13.21	[illegible]
109	105	Exch 13½pc 1994	108		12.48	[illegible]
101	96	Treas 10pc Ln 1994‡‡	100 xd	.....	9.91	[illegible]
107¼	103¼	Exch 12½pc 1994	106¼		11.72	[illegible]
98	93¼	Treas 9pc 1994‡‡	98 xd		9.14	[illegible]
106	102	Treas 12pc 1995	106¼	....	11.29	[illegible]
89	82¼	Exch 3pc Gas 90-95	89		3.37	[illegible]
102	96	Exch 10¼pc 1995	101¾		10.06	[illegible]
110	105¼	Treas 12¾pc 1995‡‡	109 xd		11.60	[illegible]
114	109	Treas 14pc '96	113	+⅛	12.31	[illegible]
99¼	92	Treas 9pc 1992-96‡‡	99¼	+⅛	9.06	[illegible]
119	115	Treas 15¼pc 1996‡‡	119	+⅛	12.81	[illegible]
112	108	Exch 13¼pc 1996‡‡	112 xd	+⅛	11.81	[illegible]
		Five to Fifteen Years				
101	95	Conversion 10pc 1996	101 xd	+⅛	9.86	[illegible]
101	97¾	Do 10pc 1996 B	100		10.11	[illegible]
114	108	Treas 13¼pc 1997‡‡	113	+⅛	11.67	[illegible]
103	97¼	Exch 10½pc 1997	103	+⅛	10.16	[illegible]
96	89	Treas 8¾pc 1997‡‡	96	+⅛	9.09	[illegible]
123	117	Exch 15pc 1997	122¼	+⅛	12.27	[illegible]
100	93	Exch 9¾pc 1998	100	+⅛	9.72	[illegible]
88	80¾	Treas 6¾pc 1995-98‡‡	88	+⅛	7.61	[illegible]
128¼	121¼	Treas 15½pc '98‡‡	127	+⅛	12.14	[illegible]
111	104¼	Exch 12pc 1998	110 xd		10.82	[illegible]
100	92	Treas 9½pc 1999‡‡	99		9.53	[illegible]
113¼	105	Exch 12¼pc 1999	112¼		10.88	[illegible]
104	97	Treas 10½pc 1999	104 xd		10.08	[illegible]
103¼	95	Conversion 10¼pc 1999	102¾ xd		9.96	[illegible]
97	89¼	Conversion 9pc 2000‡‡	96¾		9.29	[illegible]
118	110½	Treas 13pc 2000	117	+⅛	11.05	[illegible]
103	94	Treas 10pc 2001	102	+⅛	9.80	[illegible]
119	113	Treas 14pc '98-01	119¼ xd	+⅛	11.75	[illegible]
101	92	Treas 9¾pc 2002	100¼	-⅛	9.69	[illegible]
104	94	Treas 10pc 2003	102½	-⅛	9.76	[illegible]

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
111	102	Treas 11½pc 2001-04	109¾ xd	...	10.47	9.85
62¼	53	Funding 3½pc '99-04	61¼	-⅛	5.73	8.59
100	90	Conversion 9½pc 2004	99	-⅛	9.59	9.63
60	57	Cv 9½pc 2004 A (£60pd)	59	-⅛	9.59	9.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Over Fifteen Years				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Undated				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Index-Linked				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
107¾	95	African Dv Bk 11¼ Ln 2010	105	-⅛	10.52	10.41
102¾	91	Asian Dev Bk 10¼pc Ln 2009	100	-¼	10.19	10.17
116	105	Inter-Am Dev Bk 12¼pc 2003	114¼	-⅛	10.92	10.27
97	86	Do 9¼pc Ln 2015	95	-⅛	10.19	10.23
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Leisure beckons

Lord Delfont's colourful career in show-business is beginning to wind down at the age of 82 with his decision yesterday to step down – albeit from October 1992 – as chairman of First Leisure, one of the UK's most successful leisure groups.

Bernard Delfont was part of the show-business dynasty which included brothers Lew and Leslie's Grade Organisation. They have different surnames because while the young Bernard became a professional Charleston dancer – stage name Delfont – his brothers changed the Ukraine family name Winogradsky to Grade.

Lord Delfont had created a leisure empire at EMI – embracing theatres, restaurants, and clubs – before it first became part of the Thorn group and subsequently was swallowed up by the then Trusthouse Forte combine.

When Lord Forte and his son Rocco decided in late 1982 to divest themselves of their leisure operations and concentrate on hotels, Lord Delfont set up a management buy-out which at the time was the largest of its kind at £43.5m.

Leading investor in the buy-out was Lord Rayne's London Merchant Securities and it is no surprise that Lord Rayne is appointed the new chairman of First Leisure from November next year.

Continuing in the dynastic tradition is the appointment of Lord Delfont's nephew Michael Grade as a non-executive director. Grade is at present chief executive of Channel 4 television, with which he recently agreed a new five-year contract.

John Conlan, chief executive of First Leisure, says that the company welcomes the continuity both of Lord Rayne's

appointment and that of Grade.

First Leisure is one of Britain's largest leisure companies with a spread of activities ranging from discos to ten-pin bowls. While other leisure operators have floundered during the recession, First Leisure has survived and prospered through a combination of tight management and prudent financing. In the half-year to end April this year its pre-tax profits rose 20 per cent to £12.1m.

■ Thomas Mayer, a director of HOLMES PROTECTION, has resigned, it was confirmed yesterday. Mayer had served as non-executive chairman for just a year before he was ousted from that position following September's boardroom coup. Peter Jones, another director brought in at the same time as Mayer, quit at the end of last week.

■ TIBBETT & BRITTEN has appointed Brian Williams a director of the group board and chairman of Lowfield Distribution.

■ Steven Spilsbury and John Smith have been appointed directors of BRADFORD & BINGLEY Building Society.

■ STARMIN announces that David Walker, director and company secretary, has retired; Will Spinney becomes company secretary; and John Barlow is appointed director with responsibility for corporate affairs.

■ Mark Haszlakiewicz is moving from the Inchcape group to become group finance director of the AUTOMOBILE ASSOCIATION on the retirement, next April, of Ted Garside.

■ Andrew Popper is appointed director of legal affairs at BRITISH TECHNOLOGY GROUP on the retirement of Clifford Leach.

Pöhl's advice

Karl Otto Pöhl, the former president of the Deutsche Bundesbank, continues to add to his collection of blue-chip jobs. Less than a fortnight after he was appointed to J P Morgan's International Council he has been made an advisory director of UNILEVER.

Since the 61-year-old Pöhl resigned from the Bundesbank earlier this year in order to spend more time with his family, he has collected several high-powered posts. These include a partnership in Germany's biggest private bank, Sal Oppenheim, and directorships of Bertelsmann, the world's second-largest media concern, and Robeco, the Rotterdam-based investment group.

Unilever's advisory directors give advice to the board in general on business, social and economic issues, and are invited to serve on at least one of three committees comprised solely of advisory members which meet at least four times a year. Aside from a remuneration committee, which fixes top executives' pay, the other committees are audit and external affairs.

An economist by training, Pöhl joined the German Ministry of Economics in 1970 and was appointed secretary of state in the Ministry of Finance in 1972. He became deputy president of the Bundesbank in 1977, succeeding to the presidency in 1980.

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AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
246	140	Anglia TV	175	–1	9.26	2.4	7.1	8.0
31	14	[illegible] 1p	25	.....	1.5	1.1	8.0	15.5
9	2½	BBCE Hldgs 5p	3	.....	–	–	–	–
178	123	Barr & W.A.T. 'A'	15[illegible]	.....	9.75	1.7	8.2	9.8
640	425	Boosey & Hawkes	61[illegible]	.....	†16.4	2.9	2.7	15.2
87	24	Border T.V.	63	–1	2.1	2.6	4.4	11.4
88	9½	Brent Walker 10p	20½	+½	5.0	–	–	–
28	2½	Do. [illegible]	7¼	–¼	–	–	–	–
55	13	[illegible] Int'l. 10p	25	.....	‡2.1	1.8	[illegible]	5.8
389	163	Campari Int. 20p	388	+4	†11.0	2.9	3.8	10.6
231	134	Capital Radio 2½p	195	.....	5.25	2.9	3.6	12.8
548	350	Carlton Comms 5p	514	–4	†14.1	2.4	3.7	14.4
89	61	Do. 6.5p Prf 5p	84	–2	6.5	–	10.3	–
[illegible]	166	[illegible] Commt. 5p	214	–1	8.5	2.0	5.3	12.4
1098	480	Central ITV	1045	.....	28.5	1.7	3.6	30.6
164	120	Chiltern Radio 10p	162	.....	†4.8	2.6	4.0	12.4
91	39	Chrysalis	97	+4	‡2.0	–	[illegible]	–
69	20	Cityvision 5p	26	–½	1.0	7.0	5.1	3.4
6	2	[illegible]	2½	.....	–	–	–	–
308	225	[illegible] 5p	292	+2	R8.5	2.5	3.9	14.0
1410	908	Euro Disney Fr10	1565	+5	–	–	–	–
30	5	European Leis. Ir25p	12	.....	0.7	♦	7.9	♦
44	21½	Ex Lands 10p	29	.....	–	–	–	–
47	[illegible]	Expedier 20p	9	.....	‡1.0	–	[illegible]	–
593	405	Fairline Boats 10p	520	.....	21.0	4.1	5.4	6.0
259	188	First Leisure	287	–1	†5.05	2.6	2.3	19.8
265	195	GWR Group 20p	264	.....	‡6.0	3.2	[illegible]	13.8
107½	59	Grampian TVA 10p	102	–2	4.1	3.1	5.4	8.0
8	[illegible]	[illegible] Comm. 1p	5	.....	–	–	–	–
63	33	HTV Ord	49	.....	3.75	1.2	10.2	11.3
205	55	Hi-Tec Sports	176	.....	†5.0	2.7	3.4	12.8
4½	1½	Int'l Media Comm. 1p	3	.....	–	–	–	–
64	30	Intl. Resort Hldgs	41	.....	2.5	3.8	8.1	4.3
92	49	[illegible] Sound 10p	89	.....	1.0	4.2	1.5	20.0
47	21½	Kunick 10p	21½	–½	2.0	2.2	12.4	5.1
88	53	Do. 8¼pc Pf. 5p	61	–2	8.25	–	18.0	–

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

Industrials

Property

Oils

Mines

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

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OFFSHORE INSURANCES

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

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	Bid Price	Offer Price	+ or −	Yield Grss
Baring International Fd Mngrs (Ireland) Ltd				
Australia	$17.86	18.76	+0.11	1.05
Japan Tech	$61.37	64.44	−0.53	−
Japan Fund	$25.70	26.99	−0.22	0.17
Japan New Gen Fd	$19.78	20.77	−0.19	−
Malay Sing	$56.34	59.16	+1.48	0.31
Nth American	$22.28	23.36	+0.09	0.58
Octopus Fund	$22.43	23.56	+0.22	0.88
Pacific Fd	$64.19	67.40	−0.06	−
International Bond	$17.76	18.65	+0.01	6.89
Europa Fund	$13.57	14.25	+0.08	−
British Screen Fd	£0.93	0.98	.....	−
Tristar Warrant	$11.64	12.23	+0.11	−
Hong Kong	$53.28	55.95	+0.12	3.09
Mngd Portfolio (Stg)	£4.16	4.49	+0.05	−
Mngd Portfolio (Dlr)	$10.43	11.01	+0.09	−
Currency Fd-Sterling		£19.64	+0.01	−
Currency Fd-US Dollar		$15.43	.....	−
Curr Fd-Deutschemark		DM40.76	.....	−
Curr Fd-Managed $	$45.49	47.76	−0.14	−

Federated International Funds Plc

Federated Short-Term US Gov't Securities Fund

	Bid Price	Offer Price	+ or −	Yield Grss
Institutional Svc Series*		$1.00	...	5.02
Investment Series*		$1.00	...	5.02

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

TSB Trust Funds—Contd.

JERSEY (REGULATED)(**)

Barclays Intl Funds

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

German rate worries hit dollar

THE DOLLAR closed little changed in quiet trading but well below its highs of the day as worries about a possible increase in German interest rates continued to grow.

The dollar had risen gently to just below DM1.65 in early European trading, with confidence slowly beginning to return after the declines of the last fortnight.

However, the dollar fell by over ½ pfennig after Mr Helmut Hesse, a Bundesbank council member, said German interest rates may have to rise to keep inflationary pressures under control.

Mr Hesse's comments appeared to contradict a report at the end of last week that Mr Helmut Schlesinger, president of the Bundesbank, was broadly satisfied with the level of German interest rates.

In spite of the confusion over German monetary policy, the dominant view by the close of trading was that, with inflation likely to rise towards the year-end, an increase in interest rates is likely.

After its initial decline, the dollar continued to weaken gently against the D-Mark and by the close was trading just above support at DM1.64.

With holidays in the US, France and Belgium, dealers said some of the currency market's movements may have been exaggerated. Nevertheless, Mr Hesse's comments have left operators more cautious about the US currency and have reinforced the widespread belief that the next major move will be down.

The US statistics to be released this week are likely to confirm recent worries about weak economic growth. The October producer prices figures tomorrow and retail sales data on Thursday will show that at best a feeble recovery is under way.

The dollar closed lower at DM1.6415 from DM1.6420; at SFr1.4490 from SFr1.4505; and at Y130.00 from Y130.30.

The D-Mark remained firm on the speculation about tighter German monetary policy, and yesterday it became the second strongest currency inside the ERM grid. But German markets were also quiet, waiting for proposals on a withholding tax. The D-Mark closed little changed at Y79.30 and at 88.30 Swiss centimes.

The Spanish peseta remained the strongest currency within the ERM, although there was some talk that with good inflation figures due out this week, interest rates could fall.

Spanish consumer prices are expected to moderate to around a 5.2 per cent rise in October from September's 5.7 per cent. The peseta's position against the weakest ERM currency fell slightly to 5.13 per cent from 5.16 per cent, while the D-Mark continued to hover just below the Pta63 level.

Sterling was steady awaiting the release later in the week of labour market and inflation figures, although the recent talk of an interest rate cut kept the pound on the defensive. It closed at DM2.9050 from DM2.9025 and at $1.7695 from $1.7675. Sterling's index was unaltered at 91.2.

£ IN NEW YORK

Nov.11	Close	Previous Close
£ Spot	1.7685-1.7695	1.7645-1.7755
1 month	0.79-0.77pm	0.79-0.78pm
3 months	2.25-2.22pm	2.24-2.21pm
12 months	7.87-7.77pm	7.90-7.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.11	Previous
8.30 am	91.1	91.2
9.00 am	91.1	91.1
10.00 am	91.1	91.1
11.00 am	91.1	91.1
Noon	91.1	91.1
1.00 pm	91.1	91.1
2.00 pm	91.2	91.1
3.00 pm	91.1	91.1
4.00 pm	91.2	91.2

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

Nov 11	£	$
Finland	7.0895 - 7.1025	4.0100 - 4.0130
Greece	324.750 - 329.950	184.200 - 187.160
Hong Kong	13.7185 - 13.7410	7.7590 - 7.7610
Iran	116.50*	66.50*
Korea(Sth)	1312.75 - 1333.90	747.60 - 756.60
Kuwait	0.49255 - 0.49335	0.28880 - 0.28910
Luxembourg	59.85 - 59.95	33.80 - 33.90
Malaysia	4.8500 - 4.8585	2.7420 - 2.7440
Mexico	5293.50 - 5300.05	3070.00 - 3072.00
N.Zealand	3.1585 - 3.1620	1.7860 - 1.7880
Saudi Ar.	6.5840 - 6.6610	3.7495 - 3.7505
Singapore	2.9655 - 2.9725	1.6765 - 1.6785
S.Af (Cm)	4.9590 - 4.9705	2.8020 - 2.8050
S.Af (Fn)	5.3755 - 5.4585	3.0395 - 3.0865
Taiwan	46.00 - 46.10	26.00 - 26.05
U.A.E.	6.4470 - 6.5240	3.6715 - 3.6735

*Official rate Floating rate £-2450.0 $-1380.0

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 11	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.683	-3.70	5.20	64
Belgian Franc	42.4032	42.1304	-0.67	1.98	37
D-Mark	2.05586	2.04499	-0.53	1.84	39
Dutch Guilder	2.31643	2.30463	-0.51	1.82	29
Irish Punt	0.767417	0.765319	-0.27	1.58	16
Italian Lira	1538.24	1537.43	-0.05	1.36	7
Sterling	0.696904	0.704100	1.03	0.27	-21
Danish Krone	7.84195	7.93074	1.13	0.17	-48
French Franc	6.89509	6.98501	1.30	0.00	-67

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7625 - 1.7700	1.7690 - 1.7700	0.79-0.77cpm	5.29	2.25-2.22pm	5.05
Canada	1.9880 - 2.0035	2.0020 - 2.0030	0.38-0.31cpm	2.07	1.29-1.19pm	2.48
Netherlands	3.2675 - 3.2800	3.2700 - 3.2800	[illegible]cpm	0.92	[illegible]pm	0.84
Belgium	59.70 - 59.95	59.85 - 59.95	8-3cpm	1.10	14-9pm	0.77
Denmark	11.2425 - 11.2750	11.2625 - 11.2725	[illegible]orepm	1.07	[illegible]pm	0.93
Ireland	1.0860 - 1.0880	1.0870 - 1.0880	par-0.05cdis	-0.28	0.07-0.15dis	-0.40
Germany	2.9010 - 2.9075	2.9025 - 2.9075	[illegible]pfpm	1.29	[illegible]pm	0.86
Portugal	248.80 - 250.70	249.70 - 250.70	29-58cdis	-2.09	133-208dis	-2.73
Spain	182.40 - 183.10	182.65 - 182.95	29-38cdis	-2.20	99-114dis	-2.33
Italy	2180.25 - 2187.75	2181.75 - 2182.75	[illegible]dis	-0.76	[illegible]dis	-0.92
Norway	11.3650 - 11.4000	11.3825 - 11.3925	[illegible]orepm	0.26	[illegible]dis	-0.15
France	9.9150 - 9.9350	9.9175 - 9.9275	[illegible]cpm	0.91	[illegible]pm	0.76
Sweden	10.5900 - 10.6175	10.5975 - 10.6075	[illegible]oredis	-0.50	[illegible]dis	-0.78
Japan	229.25 - 230.50	229.50 - 230.50	[illegible]ypm	3.91	[illegible]pm	3.91
Austria	20.40 - 20.46	20.42 - 20.45	[illegible]gropm	0.95	[illegible]pm	0.57
Switzerland	2.5600 - 2.5725	2.5600 - 2.5700	[illegible]cpm	2.63	[illegible]pm	2.24
Ecu	1.4180 - 1.4220	1.4200 - 1.4210	0.12-0.04cpm	0.68	0.18-0.08pm	0.37

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.25-4.20cpm. 12 Month 7.87-7.77pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7625 - 1.7700	1.7690 - 1.7700	0.79-0.77cpm	5.29	2.25-2.22pm	5.05
Ireland†	1.6205 - 1.6295	1.6270 - 1.6280	0.71-0.69cpm	5.16	1.90-1.85pm	4.61
Canada	1.1205 - 1.1320	1.1310 - 1.1320	0.30-0.32cdis	-3.29	0.72-0.78dis	-2.65
Netherlands	1.8475 - 1.8575	1.8500 - 1.8510	0.65-0.68cdis	-4.31	1.98-2.01dis	-4.31
Belgium	33.75 - 33.90	33.80 - 33.90	11.00-13.00cdis	-4.25	35.00-39.00dis	-4.37
Denmark	6.3600 - 6.3950	6.3650 - 6.3700	2.05-2.35oredis	-4.15	6.45-7.05dis	-4.24
Germany	1.6390 - 1.6490	1.6410 - 1.6420	0.56-0.57pfdis	-4.13	1.76-1.78dis	-4.31
Portugal	141.25 - 141.80	141.25 - 141.35	83-90cdis	-7.35	270-290dis	-7.93
Spain	103.20 - 104.00	103.20 - 103.30	63-68cdis	-7.61	190-198dis	-7.52
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	8¼ - 8	8¼ - 8¼	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	8 - 7¾	8 - 7¾	[illegible]
D-Mark	[illegible]	9 - 8¾	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	12 - 10	11 - 10½	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	4¼ - 4	4¼ - 4	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov.11	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.769	2.905	230.0	9.922	2.565	3.275	2182	2.002	59.90	1.420
$	0.565	1	1.642	130.0	5.609	1.450	1.851	1233	1.132	33.86	0.803
DM	0.344	0.609	1	79.17	3.415	0.883	1.127	751.1	0.689	20.62	0.489
YEN	4.348	7.691	12.63	1000.	43.14	11.15	14.24	9487	8.704	260.4	6.174
F Fr.	1.008	1.783	2.928	231.8	10.	2.585	3.301	2199	2.018	60.37	1.431
S Fr.	0.390	0.690	1.133	89.67	3.868	1	1.277	850.7	0.781	23.35	0.554
N Fl.	0.305	0.540	0.887	70.23	3.030	0.783	1	666.3	0.611	18.29	0.434
Lira	0.458	0.811	1.331	105.4	4.547	1.176	1.501	1000.	0.918	27.45	0.651
C$	0.500	0.884	1.451	114.9	4.956	1.281	1.636	1090	1	29.92	0.709
B Fr.	1.669	2.953	4.850	384.0	16.56	4.282	5.467	3643	3.342	100.	2.371
Ecu	0.704	1.246	2.046	162.0	6.987	1.806	2.306	1537	1.410	42.18	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	91.88	92.01	91.85	91.98
Mar	92.17	92.31	92.15	92.26
Jun	92.36	92.45	92.35	92.46
Sep	92.48	92.59	92.45	92.60

Estimated volume 3122 (12429)
Previous day's open int. 25128 (25305)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2584.0	2606.0	2583.0	2601.0
Mar	2619.0	2637.0	2622.0	2636.5
Jun	2650.0			2666.0

Estimated volume 4593 (7662)
Previous day's open int. 35065 (36119)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Dec	1108.0			1105.0
Mar				

Estimated volume 0 (0)
Previous day's open int. 309 (309)

* Contracts traded on APT after trading hours

OPTION ON LONG-TERM FRENCH BOND (MATIF) Nov. 8th

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	2.23	-	-	-	0.27	-
106	1.27	1.75	-	0.05	0.48	-
107	0.47	1.18	-	0.24	0.85	-
108	0.09	0.70	-	0.86	-	-
Open int.	91,843	98,455	3,603	86,916	48,608	9,776

Estimated volume 41,140 Total Open Interest 337,201

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7695	1.7617	1.7472	1.7273	1.6913

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates firmer

UK MONEY rates were slightly firmer yesterday as speculation faded about an early cut in interest rates. Money rates had dropped last week on talk of a rate reduction.

The key three months interbank rate, which closely shadows bank base rates, rose $\frac{1}{32}$ point to $10\frac{7}{32}$-¼ per cent. There had been suggestions that the release of good inflation figures for October on Friday could be the opportunity for rates to be lowered by ½ point to 10 per cent.

But with sterling still weak and newspaper reports at the weekend indicating that the government had decided against an early rate reduction, the way was open for a gentle rise in market rates.

The news that Mr Helmut Hesse, a Bundesbank board member, had said German interest rates could rise also contributed to the upward pressure on rates.

Sterling's softer tone undermined the interest rate futures market, which made its first decisive move in a week. The December short sterling contract fell 5 basis points to 89.84, implying a year-end interest rate of 10.16 per cent and no change in base rates before the end of December.

Futures dealers said that as long as sterling remains weak against the D-Mark there is little chance of a reduction in base rates. Sterling's index was unchanged at 91.2.

Overnight money was easier for much of the session as the Bank of England forecast a smaller than expected money market shortage.

A shortage of £150m was estimated by the Bank and it provided £32m of assistance. Liquidity was drained by £648m of maturing Treasury bills and bankers balances £195m below target. But this was more than offset by a £605m fall in the note circulation and £135m flowing out from the Exchequer.

German money market rates were also firmer, partly following Mr Hesse's comments but also on talk that the Bundesbank may drain liquidity at this week's securities repurchase tender.

Call money rose slightly to 9.00-9.05 per cent from 8.95-9.05 per cent, while on the futures market in London the March Euro-mark contract fell 7 points to 90.92 in busy trade.

US money market rates were slightly firmer, although with many market participants on holiday there was little dealing. December Eurodollars declined 3 points to 94.89, while three months money was at 5 per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.11) 3 months US dollars		6 months US Dollars	
bid 4$\frac{15}{16}$	offer 5$\frac{1}{16}$	bid 4$\frac{15}{16}$	offer 5$\frac{1}{16}$

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

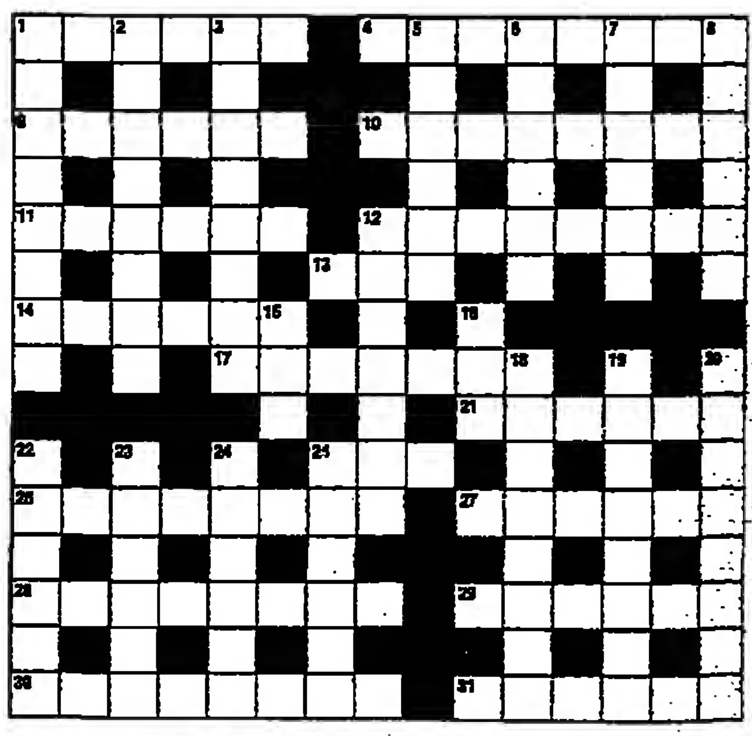
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,696 Set by DANTE



ACROSS

1 Oriental wear for doctor in family circle (6)
4 Swirling mist hides the way forward (8)
9 Relax and pause going round about the east (4,2)
10 Egyptian structure seen as dawn breaks before morning (5,3)
11 Accustom user in new process (6)
12 Play to the balcony (8)
13 United, we figure (3)
14 False description of the Tower of Pisa (6)
17 Crowded wards need reorganising to take me in (7)
21 Renee's calm disposition (6)
25 What you may say when you get the bill? (3)
26 Where everybody goes in to sweep around the floor? (8)
27 The last thing those taking exams should do (6)
28 Two cutlets at once (4,4)
29 Elaborate point to make a speech about (6)
30 They cut inside the fold (8)
31 The arrival of a commercial airway (6)

DOWN

1 Don't slacken when flying a kite? (4,2,2)
2 There may be a net cost for protection against this raider (8)
3 Showing commonsense about a habit that arouses intense disgust (8)
5 Lady journalist not caught out (6)
6 Gave an address to read out (6)
7 Create goodwill by being close to the listener (6)
8 Soften wax (6)
12 Space for some oar movement (3-4)
15 Wee startled animal (3)
16 No alternative (3)
18 Put off and fed up with having made a mistake (8)
19 Wait a minute, the tea is brewing (8)
20 Submissive, always coming up with regular payment (8)
22 Jack and Bill meet us at the counter (6)
23 Retreat for a chap about fifty (6)
24 Shopkeeper pronouncedly less refined (6)
25 Slightly exaggerate an account and blush (6)

Solution to Puzzle No.7,695

```
TYPECAST SHORTS
U E O O I E H W
SCRAP  TARRAGONA
S S P O O D H L
LOOKERSON [illegible]
E H R A I N U
 KNOBBY CATSPAW
O E O   H O S
UNLATCH DRESSY
T T I I C T S
LARGO SEPULCHRE
I O M P T O A T
VIABILITY UPSET
E S N D C O T E
DOTAGE CHASSEUR
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WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Nov 11	Nov 8	Nov 7	Nov 6	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3042.26	3045.62	3054.11	3038.46	3077.15 (18/10)	2470.30 (9/1)	3077.15 (18/10/91)	41.22 (2/7/32)
Home Bonds	97.66	97.86	97.81	97.63	97.86 (8/11)	91.30 (16/1)	97.86 (8/11/91)	54.99 (1/10/81)
Transport	1269.43	1265.70	1281.39	1271.67	1287.56 (18/10)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.26	218.83	219.77	216.45	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High (u) (3080.95) Low (u) (3034.66)

STANDARD AND POOR'S	Nov 11	Nov 8	Nov 7	Nov 6	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	393.12	392.89	393.72	389.97	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	462.85	462.76	463.60	459.71	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	32.28	32.13	32.17	31.55	32.28 (11/11)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	217.07	216.82	217.14	215.30	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	391.24	390.46	388.26	386.65	391.24 (11/11)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	550.71	548.08	545.28	539.48	550.71 (11/11)	355.75 (14/1)	550.71 (11/11/91)	54.87 (31/10/72)

	Nov 8	Nov 1	Oct 25	year ago (approx.)
Dow Industrial Div. Yield	3.05	3.03	3.09	4.09

	Nov 6	Oct 30	Oct 16	year ago (approx.)
S & P Industrial div. yield	2.72	2.71	2.73	3.54
S & P Indl. P/E ratio	21.19	21.37	21.17	14.43

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
RJR Nabisco	2,183,300	10¼	+ ⅛
Gen Motors	1,947,200	32⅞	- 1⅜
Syntex	1,562,000	41¼	- 1⅜
Ford Motor	1,528,300	25⅛	- 1
Amer Express	1,440,800	19¼	+ ⅛
Home Shop	1,362,800	6⅝	+ ⅛
Limited Inc	1,354,800	26	- 1¼
Glaxo	1,350,600	57	+ 1¼
Emr Systems	1,239,000	16	+ 3
Telefonos	1,223,500	43½	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Nov 11	Nov 8	Nov 7
New York SE	128,910	183,513	204,832
Amex	11,289	14,161	15,205
NASDAQ	(u)	211,432	216,078
NYSE			
Issues Traded	2,128	2,146	2,148
Rises	836	887	1,078
Falls	742	728	569
Unchanged	550	531	501
New Highs	117	145	157
New Lows	22	9	21

CANADA

TORONTO	Nov 11	Nov 8	Nov 7	Nov 6	1991 HIGH	1991 LOW
Metals & Minerals	3077.99	3060.64	3036.52	3033.96	3299.99 (18/7)	2632.06 (9/1)
Composite	3579.30	3561.56	3546.70	3531.08	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1887.57	1880.59	1868.77	1863.92	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed (u) Unavailable.

	Nov 11	Nov 8	Nov 7	Nov 6	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1693.4	1696.3	1683.5	1679.0	1696.3 (8/11)	1204.5 (16/1)
All Mining (1/1/80)	660.7	663.2	664.1	661.8	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	419.09	415.05	400.46	396.65	534.81 (16/4)	385.58 (4/1)
BELGIUM						
BEL20 (1/1/91)	(u)	1104.35	1102.89	1104.36	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	366.93	367.13	366.24	366.46	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	821.1	822.2	821.8	821.6	1186.9 (8/4)	621.1 (11/11)
FRANCE						
CAC General (31/12/82)	(c)	494.91	492.65	492.28	497.62 (2/10)	394.88 (15/1)
CAC 40 (31/12/87)	(c)	1857.55	1838.57	1836.06	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	663.40	660.31	650.89	651.31	717.43 (17/6)	578.48 (15/1)
Commerzbank (1/12/53)	1870.6	1863.5	1834.1	1834.5	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1609.02	1606.22	1578.40	1574.22	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4230.91	4236.64	4184.74	4173.57	4236.64 (8/11)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1415.47	1409.21	1414.64	1414.30	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	510.56	509.86	512.06	515.13	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	24232.99	24486.49	24446.76	24750.20	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1833.95	1846.81	1860.41	1864.99	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	2785.46	2795.38	2811.25	2822.15	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	554.57	536.19	533.16	531.67	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	281.6	282.2	278.4	277.1	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	197.8	198.4	195.8	194.8	303.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE Ind. (2/1/83)	688.03	705.49	710.31	711.88	793.53 (26/8)	618.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1119.64	1088.86	1053.88	1038.11	1183.40 (29/5)	582.64 (18/1)
SINGAPORE						
SES All-Singapore (2/4/75)	408.65	404.06	396.70	395.48	432.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1091.86	1088.0	1114.0	1107.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4315.04	4319.0	4303.0	4263.0	4319.0 (8/11)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	679.58	682.03	679.42	679.20	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	256.87	257.72	254.51	256.87	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	1005.6	1001.1	1006.0	1006.4	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	757.3	756.6	758.0	752.3	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	622.5	623.5	614.7	612.3	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4491.68	4439.49	4424.85	4430.59	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	688.74	686.03	672.60	660.46	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	523.6*	524.2	524.9	524.4	529.2 (17/4)	439.1 (16/1)

**Saturday November 9: Taiwan Weighted Price: 4495.13; Korea Comp Ex. 684.66. *Calculated at 15.00 GMT.
§ Subject to official recalculation.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

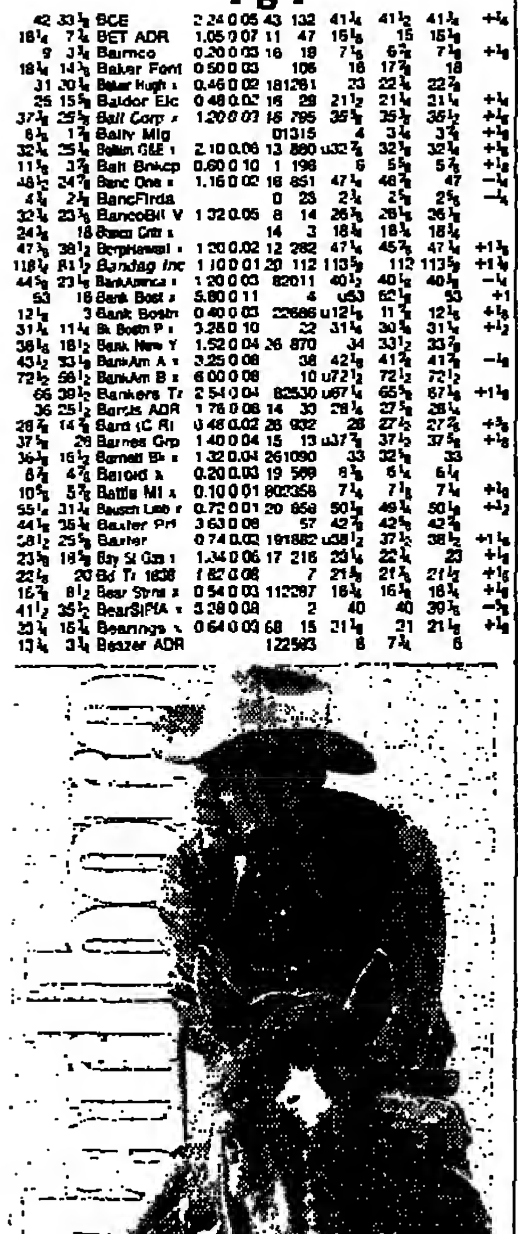
Monday, 11 November 1991

	Stocks Traded	Closing Prices	Change on day
Howa Machinery	3.3	1,010	-90
Toho Gas	3.0	487	-3
Sanwa Shutter	2.6	1,400	-50
Toyo Tire & Rbr	2.6	1,030	-40
Honshu Paper	2.3	908	-22
Bk of Yokohama	2.0	1,250	-10
Meiji Seika	1.9	1,130	+10
Hitachi	1.9	970	-12
Daiwa House	1.8	2,010	-40
Toyo Sanso	1.8	1,020	-50

4:00 pm prices November 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	19	127	14¼	14	14	-¼
21⅜	14½	A L Labs A	0.16	0.01	33	1843	u21¾	21	21½	+½
55¾	40⅞	AMR Inc x	1.44	0.03	92	759	53⅞	52¾	53⅞	-¼
68⅝	44¼	AMR				124382	61¼	59⅝	61	+½
2⅝	1	ARX			1	82	1⅜	1¼	1¼	
56	41½	ASA x	3.00	0.08	13	215	47	46¾	47	+½
60¼	39¼	Abbott Lab	1.00	0.02	24	4791	60⅜	59⅛	60⅜	+1⅛
14⅝	9⅞	Abitibi Pr	0.50	0.04	25	26	13⅞	13¾	13⅞	+⅛
11⅝	10⅛	ACM Gt In x	1.26	0.11		313	11	10⅞	11	+⅛
9¾	8⅜	ACM GvOpp x	1.01	0.11		76	9½	9⅜	9½	
9½	8¼	ACM Gvt Sp x	1.01	0.11		426	9¼	9	9¼	+⅛
11	9⅞	ACM Gvt Se x	1.26	0.12		309	10⅝	10½	10⅝	
9	7⅝	ACM Man x	1.01	0.11		349	u9	8⅞	8⅞	-⅛
12⅞	11½	ACM Mgd x	1.25	0.10		170	u12⅞	12¾	12⅞	+⅛
7½	4¼	Acme Cleve x	0.40	0.06	16	40	6½	6⅜	6¼	-⅛
6	3⅞	Acme Elect			45	127	5	4⅞	5	
40	22¼	Acuson			89	319	36⅞	36	36⅞	+⅝
20⅛	14¼	Adams Exp x	0.73	0.04	1	55	20	19⅞	20	+⅛
20⅛	17½	Adobe 12Pf	2.40	0.12		26	19⅛	18⅞	19⅛	+¼
9¼	6⅝	Adobe Res			49	88	7½	7⅜	7⅜	
38⅝	18	Ad Micro				8	36½	36¼	36⅜	
14¼	4⅝	Ad Micro P	3.00	0.23	99	2478	13	12⅞	13	
5⅛	2¼	Advest Grp	0.16	0.04	5	20	3¼	3⅛	3⅛	+⅛
49⅛	31⅞	Aetna Ll	2.76	0.07	38	2316	41⅞	40¼	41½	+¾
10⅝	6⅝	Amfl A x	0.24	0.03	53	295	8	7¾	8	+⅛
20⅞	12	Ahmanson x	0.88	0.06	10	1826	15⅞	15¾	15⅞	
17¾	2⅞	Aileen Inc			17	63	17½	17⅜	17½	+⅛
74⅛	51⅞	Air Pr Chm	1.56	0.02	18	372	69¼	68¼	69⅝	+1½
30	16⅝	Airbna Frt x	0.30	0.01	58	2999	23½	22¼	22½	-1¼
21¼	12½	Airgas Inc			75	17	20½	20⅜	20⅜	+⅛
15¼	10	Airlease	1.68	0.14	8	41	12⅛	11¾	12	



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NYSE COMPOSITE PRICES

Continued from previous page

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- X - Y - Z -

65½	35¼	Xerox x	3.00	0.05	60	640	64⅝	63¾	64⅛	-½
51⅞	43¾	Xerox4.125 x				2	50¾	50½	50½	
25⅛	14⅛	Xtra 1 94 c				16	24⅞	24½	24½	-⅛
29⅜	14¼	Xtra Corp x	0.72	0.02	99	129	28⅞	28⅝	28⅞	+⅛
27⅞	21¼	Yankee Egy	1.60	0.06	12	53	26⅞	26⅝	26¾	-⅛
1½	⅞	Zapata			2	495	⅝	⅝	⅝	
9⅛	5¼	ZenithElec			2	951	7¼	7⅛	7¼	+⅛
18½	12	Zenith Nat	1.00	0.05	24	3	18⅝	18⅜	18½	
8⅞	4½	Zenix Inc	0.84	0.13		58	u8⅞	8¼	8⅛	-⅛
15⅛	10⅞	Zero Corp x	0.40	0.03	15	22	11⅞	11¾	11¾	-⅛
41⅞	29½	Zurn Ind x	0.88	0.02	15	188	34¼	34	34	+⅛
13½	10¼	Zweig Fund	1.16	0.09		105	13	12¾	13	+⅛
10½	6½	Zweig Tot x	0.96	0.08		455	10⅜	10¼	10⅜	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices November 11

[illegible]

NASDAQ NATIONAL MARKET

4:00 pm prices November 11

[illegible]

- X - Y - Z -

Xilinx		29	388	26¼	25¾	26	+¼
XL Data		30	145	10⅛	10⅛	10⅛	-⅛
Xoma Corp		47	2536	20	19¼	19¾	+¼
Yellow Fr s	0.94	103	587	31⅛	30⅞	31⅛	+⅛
York Rsch		70	1130	9	8¾	8½	-½
ZionsUtah	1.44	8	14	47½	46¾	47	

FINANCIAL TIMES
Tuesday November 12 1991

AMERICA

Reluctance to pre-empt news on Veterans Day

Wall Street

THE STOCK market was unusually quiet yesterday because of the Veterans Day holiday. Volume was well below normal levels and share prices showed no decisive trend, although the auto sector performed weakly, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was down just 3.36 at 3,042.26 after having barely moved all day, while the more broadly based Standard & Poor's 500 ended a slight 0.23 firmer at 393.12. The Nasdaq composite of over-the-counter stocks, however, climbed 2.66 to 550.74, finishing at a record high for the third consecutive trading day. Turnover on the New York SE totalled a meagre 129m shares.

Those market participants who chose not to take the day off had little to focus on. The general reluctance to trade was exacerbated by a fear of misjudging the market's reaction later to the string of important economic statistics due to be released this week. October's inflation (both consumer and producer) data will be published, as will the month's retail sales and industrial production figures. The statistics are expected to paint a picture of a weak-growth, low-inflation economy still struggling to pull out of the recession.

Among individual stocks, auto shares were troubled by general concern about the outlook for the car industry. General Motors, which late last week predicted that it would have to take a non-cash charge of between \$16bn and \$24bn because of new accounting rules covering retirement benefits, fell \$1⅞ to \$32⅝. Ford retreated \$1 to \$25⅛ while Chrysler slipped \$¼ to \$12¾.

Auto accessory stocks were also weak, with Cooper Tire & Rubber off \$1¾ at \$39¾ and Goodyear \$1¼ at \$51½.

The ADRs of British Steel, the UK steel group, plunged \$4 to \$16⅝ in active trading on news of the big decline in first-half profits. Environmental Systems climbed \$3 to \$16 after Brambles USA offered \$16 a share for the outstanding Environmental shares.

On the over-the-counter market, Centocor jumped \$4½ to \$49¼ in very active trading on reports that medical researchers had been encouraged by results from testing a drug produced by the company for preventing blood clots reforming after heart attacks.

Adolph Coors, the brewing group, advanced \$1⅛ to \$20 on heavy buying by investors in the wake of an upgraded rating by PaineWebber, the Wall Street broking house. Another stock to benefit from a broker's recommendation was Cygnus Therapeutic, which rose \$1½ to \$21½ after Hambrecht & Quist reiterated its buy rating on the shares.

Canada

THE Remembrance Day holiday, which closed the banks, kept trading in Toronto listless yesterday. The composite *index, however, put on 17.7 to* 3,579.3 as advances outscored declines by 325 to 202. Volume dropped to 19.7m shares from Friday's 35.4m. All 14 subgroups ended higher, although there were few large changes.

PanCanadian Petroleum, up C\$½ at C\$28¼, said it has sold its US energy assets to a unit of Norcen Energy for C\$45m. Norcen gained C\$⅜ to C\$26.

SOUTH AFRICA

GOLD shares in Johannesburg rose yesterday on a firmer bullion price. The all-share index added 9 to 3,528, lifted by a 3-point gain in the all-gold index to 1,091. But the industrial sector eased 4 to 4,315.

In the gold sector, Vaal Reefs closed unchanged at R191 and Freegold, ex a dividend of R1.05, was also steady at R24 in spite of news of fighting at President Steyn Gold Mine, its biggest.

In diamonds, De Beers was R1 up at R97.50, while platinum shares Rustenburg and Lydenburg were each 25 cents lower, at R69.25 and R45.75 respectively.

EUROPE

Oslo falls 2.6 per cent in steady continental trading

BOURSES WERE little changed yesterday, with the exception of Oslo, which continued to be plagued by bad news, *writes Our Markets Staff.* Paris and Brussels were closed for a holiday.

FRANKFURT tried to build on Friday's strength but equities developed a serious wobble, partly in consideration of a weekend statement from Mr Hilmar Kopper, the chairman of Deutsche Bank, that the Soviet Union could default on loans in the near future.

After a 3.09 rise to 663.40 in the FAZ index at midsession, the DAX index closed 2.80 *higher at 1,609.02, down from* an intraday high of 1,614.92. Volume eased only slightly, from DM6.8bn to DM6.1bn.

Commerzbank fell DM5.50 to DM249.50. It last suffered jitters in September on talk that it was the biggest German unsecured lender to the Soviets, and had not made provisions against this debt. However, analysts observed then that its one major debt outstanding was from the Soviet trade bank, which would have to pay its bills to stay in business.

Other banks were mostly slightly weaker after outstanding gains on Friday. The other main support in Friday's rally, the carmakers, were gently better, Daimler leading with a DM5 rise to DM703.

The biggest rise of the day came in Mannesmann, the steelmaker and engineer with cellular telephone prospects, which gained *DM6 to DM258* on a recommendation from Degab, Deutsche Bank's research arm.

Dealers said that the company, recommended heavily 10 months ago, had fallen from DM300 to around DM250 since the summer on worries about the economic cycle and on cellular telephone start-up costs. It was also recommended by BHF Bank last week. In London, there was speculation over how long the latest burst of enthusiasm could last, given the poor figures from British Steel yesterday.

OSLO dropped by 2.6 per cent on worries about the domestic banking crisis, lower oil prices, and the news that the government and the banks had failed to agree a rescue package for Norway's financially troubled salmon farmers.

The all-share index lost 11.94 to 445.83 in turnover of NKr265m. The industry index, which includes oil stocks, fell 17.46 to 688.03.

MILAN closed firmer in a session abbreviated by the lack of interest. Trading was thin and dominated by technical transactions ahead of the end of the account on Thursday. The Comit index added 0.7 to 510.56 in turnover estimated at not more than Friday's L70bn.

Dealers said the market hoped that Mr Claudio Capelli, a broker suspended for irregular management of client funds, would not be declared bankrupt at a judicial hearing today, since it would threaten the settlement of the account.

Telecoms led the marker higher. Stet rose L25 to L2,010, while Sip firmed L28 to L1,296. Generali was also firmer on bargain-hunting after its recent weakness, *adding L300* to L25,300.

The banking sector was one of the market's biggest losers. Banca Commerciale Italiana fell L20 to L3,980.

AMSTERDAM failed to build on Friday's gains as investors took profits in Unilever. The CBS Tendency index was unchanged at 90.2, but down from the opening 90.3. Turnover was light at Fl 436m.

Unilever, trading ex its interim dividend, rose 68 cents to Fl 171. The stock rose Fl 5.90 on Friday following its better-than-expected nine-month results. Among other multinationals, *Royal Dutch declined* Fl 1.20 to Fl 153.50 on nervousness about its third-quarter results, due on Thursday.

The insurance sector was lifted by a firmer dollar and domestic bond market. Mr Simon Rudolf at Morgan Stanley said that the sector was catching up after a long period of underperformance and investors were encouraged by the outlook for 1992. Aegon, *which has lagged behind the* market by 9 per cent, rose 80 cents to Fl 116.20.

MADRID was in a despondent mood after pessimistic newspaper articles on the economy at the weekend. The general index slipped 0.85 to 256.87 in turnover of about Pta10bn, down from Pta17bn.

One dealer pointed out that the index was nearing the support level of 250, adding that the bourse was likely to drift in a narrow range until Christmas, with only some end-of-year window-dressing likely to enliven trading.

Telefónica, the telephone *utility, dropped Pta10 to* Pta1,205 in moderate volume of 1.7m shares, while Iberdrola I also lost Pta10 to Pta733 in 1.9m shares, a total inflated by a large put-through.

HELSINKI slipped in thin trading, as short-term interest rates rose on fears of tighter liquidity. The Hex index shed 1.1 to 821.1 in turnover of FM13.2m, including FM7m worth of free shares.

ZURICH consolidated, and took some profits, the Crédit Suisse index closing 2.6 down at 499.9 with banks and insurers, which led last week's rise, mostly lower.

FT-SE Eurotrack 100 - Nov 11

Hourly changes †

Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1102.19	1103.85	1104.08	1103.54	1102.31	1101.40	1100.21	1100.31

Day's High 1104.46 Day's Low 1098.99

Nov 8	Nov 7	Nov 6	Nov 5	Nov 4
1102.71	1090.12	1089.50	1092.54	1088.07

Base value 1000 (26/10/90) † Partial

ASIA PACIFIC

Volume falls to 150m shares as investors stay away

Tokyo

INVESTORS stayed on the sidelines yesterday, owing to the lack of fresh incentives and decline in futures prices. Volume fell below 200m shares for the first time since October 14, as share prices lost ground, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 253.50 down at the day's low of 24,232.99, after opening at the high for the session of 24,437.85. Volume shrank to 150m shares from 250m. The lack of turnover exacerbated the effect on the index of small-lot selling by individual investors.

Traders expected investors to remain inactive until Mr Yasushi Mieno, governor of the Bank of Japan, returns tomorrow from the meeting at the Bank of International Settlements in Switzerland. Expectations of a discount rate reduction remained high. "Nobody will do anything before the rate cut," said Mr Dan Kerrigan at County NatWest.

Losses overwhelmed gains by 714 to 231, with 168 issues unchanged. The Topix index of all first section stocks slipped 12.86 to 1,833.95, but in London the ISE/Nikkei 50 index ended 1.48 firmer at 1,384.55.

Sentiment faltered as poor profits announcements filtered into the market. However, some analysts believed that lower interest rates in the near future would trigger a rally.

"The market will digest the bad news," said Mr Robert Feldman at Salomon Brothers. He added that the rally expected in the bond market would prompt investors to move into equities, pushing the Nikkei index up to the 27,000 level.

Speculative stocks lost ground on margin selling by individual investors. Howa Machinery, the day's most active issue, fell Y90 to Y1,010 and Honshu Paper Y22 to Y908.

High-technology shares were depressed by concern over the sluggish business outlook. Sony fell Y40 to another low for the year of Y4,960, as did Hitachi, Y12 down at Y970. Traders said investors were nervous about Sony moving below its Y5,000 support level.

Nippon Telegraph and Telephone continued to rise, helped by hopes that the government would support the issue before NTT's second tranche sell-off, expected next year. The stock gained Y10,000 to Y841,000.

In Osaka, the OSE average receded 198.93 to 26,349.95 in volume of 20.4m shares. The index was down for the seventh consecutive day, with machineries, electricals and chemicals weaker.

Nintendo, the video game maker, relinquished Y200 to Y13,400 on small-lot selling. Ono Pharmaceutical declined Y250 to Y5,700 as investors grew cautious of the large margin position of 15.7m shares.

Roundup

PROFIT-TAKING was evident *in many markets in the Pacific* Rim yesterday.

KUALA LUMPUR jumped 3.4 per cent, however, as institutions returned to the market. The composite index rose 18.38 to 554.57 in heavy turnover of M\$178m, up from M\$78m.

SINGAPORE featured a Smith New Court/Crédit Suisse First Boston placing of 20m shares of Jurong Shipyard, 20 per cent of the company's equity, at S\$9.438 a share for IHI, the big Japanese shipbuilder. The closing price in the market was S\$10.40.

In spite of profit-taking, the Straits Times Industrial index ended a further 1.2 per cent or 16.90 higher at 1,491.42, after jumping 1.8 per cent on Friday. Volume expanded to S\$297m from S\$235m.

HONG KONG eased in active trading as sharp early gains were eroded by profit-takers. The Hang Seng index lost 5.73 to 4,230.91, following last week's gain of nearly 200 points to record highs. Turnover slipped to HK\$1.9bn from HK\$2.6bn.

Dealers said news that Hongkong & Shanghai Banking and its Hang Seng Bank subsidiary are reducing the size of mortgages they will grant for new flats could weigh on the market today.

NEW ZEALAND was dragged down by an 8-cent fall in Fletcher Challenge to NZ\$3.48, on uncertainty over the parcel of 104.5m new shares that the company plans to issue to the government in March. The NZSE-40 index shed 5.81 to 1,546.64. Turnover fell to NZ\$13.5m (NZ\$21.4m).

Robt Jones Investments fell 2 cents or 5 per cent to 38 cents after reporting after the close of trading on Friday that its operating profits after taxes had plunged 65 per cent to NZ\$8.2m in its fiscal first half.

TAIWAN surrendered its early gains. The weighted index hit an intraday high of 4,553.08 before closing a net 3.45 off at 4,491.68, after an advance of 55.64 on Saturday. Turnover came to T\$23.6bn, against Saturday's half-day T\$18.8bn. The market is closed today for a national holiday.

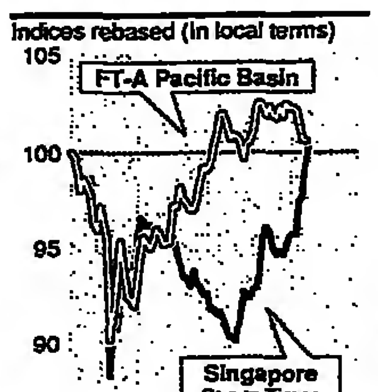
AUSTRALIA slipped in quiet trading. The All Ordinaries index lost 3.2 to 1,693.1 in turnover of A\$229m, after A\$344m.

News Corp shed 52 cents to A\$15.50, after a fall in the share price in the US on Friday. In the banking sector, ANZ closed 13 cents higher at A\$4.42 on merger speculation.

MANILA finished below the day's best due to profit-taking. Oil and mining were the weakest sectors, while industrials posted further gains. The composite index closed 38.78 up at 1,119.64 in turnover of 260m pesos, against 236m.

SEOUL retreated in spite of gains by small manufacturing shares. The composite index ended at 679.58, down 5.06, in turnover of Won222bn, after Won167bn.

Steel shares posted healthy rises on the strong outlook for the shares in the second half of this year.



Source: Datastream

Japan saps strength from world index

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	+7.39	−3.00	−6.15	−5.66	−6.41	−14.28
Belgium	+0.26	−0.38	+6.40	+10.27	+9.77	+0.53
Denmark	+0.09	+2.44	+14.73	+23.87	+22.72	+12.40
Finland	+1.53	+1.39	−4.12	−5.30	−6.51	−14.39
France	+0.16	+1.53	+19.24	+21.50	+20.21	+10.09
Germany	+1.89	+2.14	+10.72	+9.22	+8.60	−0.55
Ireland	−1.84	−0.90	+15.85	+17.67	+17.20	+7.34
Italy	−1.11	−2.40	−6.58	−3.11	−3.37	−11.51
Netherlands	+1.89	+3.15	+22.40	+19.83	+19.21	+9.18
Norway	−0.47	−3.51	−8.65	+1.71	+1.41	−7.13
Spain	−2.58	−2.15	+16.22	+17.53	+18.77	+8.77
Sweden	−3.58	−2.12	+19.78	+22.28	+25.22	+14.68
Switzerland	+2.76	+3.50	+25.06	+25.22	+20.18	+10.08
UK	+0.31	+0.24	+26.00	+19.64	+19.64	+9.57
EUROPE	+0.50	+0.72	+18.57	+16.53	+15.96	+6.19
Australia	+0.47	+8.43	+27.82	+33.49	+48.27	+35.80
Hong Kong	+5.05	+5.48	+48.29	+42.81	+56.67	+43.49
Japan	−2.03	−0.67	+11.42	+7.56	+22.28	+11.97
Malaysia	−0.15	+5.78	+6.48	−2.02	+5.33	−3.54
New Zealand	+1.07	+8.63	+11.45	+20.38	+24.72	+14.19
Singapore	+5.52	+11.64	+36.09	+28.07	+44.63	+32.45
Canada	+1.16	+5.11	+12.48	+6.68	+20.10	+10.00
USA	+0.32	+3.06	+28.76	+19.80	+30.81	+19.80
Mexico	+1.00	+5.12	+152.20	+133.99	+145.68	+125.00
South Africa	+0.24	+5.16	+34.33	+30.08	+57.05	+43.83
WORLD INDEX	−0.32	+1.50	+20.40	+15.38	+24.72	+14.22

† Based on November 8th 1991.

By Jacqueline Moore

THE STRENGTH of most world stock markets last week was sapped by a poor performance in Japan. In spite of healthy rises within Europe and a small advance in the US, the FT-*Actuaries World Index lost 0.3* per cent in local currency terms. Excluding Japan, the index rose 0.5 per cent.

Fading hopes of a discount rate cut, combined with futures-related selling, depressed Japan in a four-day trading week. Nomura, the securities house, says the market's direction this week will depend on whether there is a rate reduction.

The broker *says in its* weekly review: "If the Bank of Japan decides not to reduce rates, the market is expected to drift lower. On the other hand, a discount rate cut of 50 basis points has been discounted and, unless there is a reduction of at least 75 basis points, the effect will be negligible on stock prices."

The fall in Tokyo did not hold back other markets in the Pacific Basin. Hong Kong and Singapore both advanced more than 5 per cent in local currency terms.

News of the forthcoming visit to Beijing of Mr James Baker, the US secretary of state, encouraged Hong Kong. "It should head off a trade war between the US and China," *says one analyst.*

A successful property sale and the previous week's cut in interest rates also boosted the market, while the government's anti-inflation package was mild enough not to upset investors.

Singapore was lifted by buying of blue chips by overseas institutions, as hopes of a rate cut kept the mood optimistic.

In Europe, Switzerland and *Germany rose 2.8 and 1.9 per* cent respectively. The Bundesbank's decision not to raise interest rates in the week helped Germany, while Switzerland welcomed a good inflation figure and the subsequent fall in money market rates.

The best performer was Austria. A technical rebound left the bourse up 7.4 per cent on the week, reducing its loss so far this year to 5.7 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 11 1991								FRIDAY NOVEMBER 8 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	160.29	+0.0	134.30	131.72	138.80	135.72	−0.1	4.46	160.31	134.47	132.04	136.85	135.89	160.31	112.74	123.83
Austria (20)	170.72	+1.3	143.04	140.29	145.70	145.60	+0.9	1.98	168.55	141.38	138.83	143.89	144.31	222.37	153.86	199.92
Belgium (47)	133.31	+0.3	111.69	109.54	113.77	111.28	+0.0	5.32	132.92	111.49	109.47	113.46	111.28	151.20	118.04	138.86
Canada (115)	142.27	−0.5	119.20	116.90	121.41	116.57	+0.0	3.20	143.03	119.97	117.80	122.09	116.57	143.03	126.49	124.64
Denmark (37)	261.07	−0.2	218.74	214.53	222.80	226.09	−0.2	1.57	261.47	219.32	215.36	223.21	226.44	270.58	217.74	254.95
Finland (15)	88.54	+0.3	74.19	72.76	75.56	74.54	+0.3	3.27	88.30	74.07	72.73	75.38	74.30	125.16	83.69	104.52
France (109)	145.23	+0.1	121.69	119.34	123.93	127.75	+0.0	3.47	145.04	121.66	119.45	123.81	127.75	152.26	119.11	138.88
Germany (65)	111.92	+0.6	93.77	91.96	95.51	95.51	+0.5	2.37	111.29	93.35	91.66	95.00	95.00	125.35	94.15	115.17
Hong Kong (55)	174.78	+0.0	146.44	143.62	149.16	174.13	+0.0	4.26	174.78	146.60	143.95	149.21	174.19	174.78	119.62	120.15
Ireland (16)	160.35	+0.6	134.35	131.77	136.85	138.83	+0.3	3.61	159.36	133.67	131.26	136.04	138.48	182.48	132.88	149.42
Italy (77)	69.65	+0.5	58.36	57.23	59.44	64.15	+0.4	3.61	69.30	58.13	57.08	59.16	63.92	88.23	64.76	81.23
Japan (474)	139.00	−0.5	116.46	114.22	118.64	114.22	−0.7	0.74	139.71	117.19	115.07	119.28	115.07	146.97	118.23	126.25
Malaysia (68)	211.14	+3.2	176.91	173.50	180.19	223.05	+3.2	2.79	204.63	171.65	168.54	174.68	216.22	247.78	189.18	193.54
Mexico (17)	1343.56	+2.2	1125.71	1104.07	1146.61	4511.23	+2.2	1.14	1315.01	1103.04	1083.11	1122.59	4415.38	1350.05	534.45	540.32
Netherland (31)	145.78	−0.4	122.12	119.78	124.39	123.11	−0.4	4.38	146.27	122.69	120.47	124.87	123.57	148.27	125.70	134.19
New Zealand (14)	49.42	−0.3	41.40	40.61	42.17	46.89	−0.7	6.07	49.57	41.58	40.83	42.32	47.20	54.64	41.18	48.29
Norway (30)	184.78	−2.6	154.82	151.85	157.70	161.39	−2.7	1.60	189.70	159.13	156.25	161.95	165.82	223.24	178.58	229.33
Singapore (38)	213.93	+1.4	179.24	175.80	182.57	165.38	+1.2	2.11	210.95	176.95	173.75	180.08	163.42	213.93	151.63	152.65
South Africa (61)	265.18	+0.8	222.19	217.91	226.31	177.54	+0.2	2.76	263.05	220.64	216.65	224.55	177.18	265.18	173.00	164.66
Spain (53)	152.10	−0.3	127.44	124.99	129.81	118.97	−0.3	4.62	152.62	128.02	125.71	130.26	119.38	171.12	131.51	148.77
Sweden (25)	183.08	+0.1	153.38	150.44	156.23	162.40	+0.0	2.75	182.85	153.38	150.61	156.10	162.35	204.12	146.60	166.45
Switzerland (59)	97.74	−0.2	81.89	80.32	83.42	87.80	−0.3	2.20	97.89	82.11	80.63	83.58	88.03	100.67	82.17	92.40
United Kingdom (240)	181.44	−0.1	152.02	149.09	154.83	152.02	−0.2	4.69	181.53	152.27	149.51	154.96	152.27	187.44	156.27	161.16
USA (526)	159.90	+0.1	133.97	131.40	136.46	159.90	+0.1	3.03	159.71	133.96	131.55	136.35	159.71	161.02	125.95	128.87
Europe (626)	142.84	+0.1	119.77	117.47	122.00	121.58	+0.0	3.95	142.86	119.83	117.66	121.96	121.82	151.52	125.50	135.91
Nordic (107)	183.86	−0.3	154.05	151.09	156.91	154.94	−0.4	2.06	184.46	154.73	151.93	157.47	156.51	200.81	155.55	180.37
Pacific Basin (718)	140.31	−0.4	117.56	115.30	119.74	116.33	−0.6	1.07	140.89	118.18	116.05	120.28	117.07	145.92	117.86	125.64
Euro−Pacific (1544)	141.70	−0.2	118.73	116.44	120.92	119.24	−0.4	2.23	142.02	119.13	116.97	121.23	119.72	147.66	121.29	130.17
North America (641)	158.72	+0.1	132.99	130.45	135.48	156.97	+0.1	3.04	158.59	133.03	130.64	135.41	156.80	159.66	125.91	128.53
Europe Ex. UK (586)	120.08	+0.1	100.61	98.70	102.50	104.10	+0.1	3.24	119.91	100.58	98.78	102.38	104.04	129.80	103.58	120.01
Pacific Ex. Japan (244)	153.19	+0.5	128.35	125.90	130.75	135.78	+0.4	4.06	152.50	127.92	125.63	130.20	135.30	153.19	111.40	117.73
World Ex. US (1737)	143.78	−0.2	120.46	118.16	122.70	120.83	−0.4	2.27	144.06	120.84	118.66	122.98	121.26	148.16	122.32	130.56
World Ex. UK (2023)	144.96	−0.1	121.46	119.13	123.72	131.13	−0.2	2.27	145.08	121.70	119.51	123.87	131.37	146.07	120.06	125.80
World Ex. So. Af. (2202)	147.36	−0.1	123.46	121.10	125.77	132.74	−0.2	2.54	147.50	123.72	121.50	125.92	132.98	148.66	122.92	128.72
World Ex. Japan (1789)	154.39	+0.1	129.36	126.88	131.78	143.48	+0.1	3.40	154.20	129.35	127.02	131.68	143.36	154.39	126.89	131.61
The World Index (2263)	148.14	−0.1	124.12	121.74	126.43	133.13	−0.2	2.54	148.26	124.36	122.12	126.58	133.37	149.10	123.28	128.94

Markets closed November 11: Belgium, Canada and France.